



BRIEFING

Final options on Budget 2025 for the Economic Development portfolio

Date:	5 December 2024	Priority:	High
Security classification:	Budget - Sensitive	Tracking number:	BRIEFING-REQ-0007016

Action sought		
	Action sought	Deadline
Hon Melissa Lee Minister for Economic Development	<p>Note this briefing provides you with further options on New Zealand Screen Production Rebate – International and the Major Events Fund.</p> <p>Note that officials will discuss the options in this briefing at the next officials' meeting on 9 December, seeking your agreement on your preferred options.</p>	9 December 2024

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Heather Kirkham	General Manager, Economic Development and Tourism	Privacy of natural persons	✓
Privacy of natural persons	Principal Policy Advisor		

The following departments/agencies have been consulted
N/A

Minister's office to complete:

☐ Approved

☐ Declined

☐ Noted

☐ Needs change

☐ Seen

☐ Overtaken by Events

☐ See Minister's Notes

☐ Withdrawn

Comments



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Purpose

To provide you with final options for the Budget 2025 initiatives within the Economic Development portfolio. This briefing provides you with further advice on the options you would like to progress, including phasing and risks.

Recommended action

- a **Note** that, for the New Zealand Screen Production Rebate – International, the Ministry of Business, Innovation and Employment (MBIE) have identified options to:
- a. cap the rebate (at \$225 million annually, or at a lower level), and/or
 - b. change the configuration of the rebate (increasing the uplift threshold to \$50 million and/or increase the post-production, digital and visual effects threshold to \$1 million).
- Noted*
- b **Note** that, for the Major Events Fund, MBIE have identified options to:
- a. close the fund
 - b. halve the appropriation of the fund (to \$5.70 million annually), or
 - c. scale the appropriation of the fund (to \$10 million annually).
- Noted*
- c **Note** that next week, we will provide you with a final briefing for you to agree to the initiative options for submission to the Treasury and the Minister of Finance. This will also be accompanied by a draft letter for you to send to the Minister of Finance, confirming what initiatives you have submitted.
- Noted*

- d **Note** that officials will discuss the options in this briefing at the next officials' meeting on 9 December, seeking your agreement on your preferred options.

Noted



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**General Manager, Economic
Development and Tourism**
Labour Science and Enterprise, MBIE

05 / 11 / 2025

Hon Melissa Lee
Minister for Economic Development

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Background

1. This briefing follows on from *Initial advice on Budget 2025 for the Economic Development portfolio*, provided to you last week [BRIEFING-REQ-0006759 refers]. It provides you with final options to meet the expectations for the Economic Development portfolio and identified potential impacts of those options.
2. This briefing addresses options for initiatives in the Economic Development portfolio, other than those related to New Zealand Trade and Enterprise. These are discussed in *Options for Budget 25 for New Zealand Trade and Enterprise*, a separate briefing to you and the Minister for Trade [BRIEFING-REQ-0007117 refers].
3. Subject to your feedback, we will work on developing a further briefing, due on 12 December 2024. As it follows the completion of forecasting and cost benefit analysis, next week's briefing will include the final fiscal impacts of the preferred options and will seek your agreement to the detailed initiatives being submitted for Budget 2025 for the Economic Development portfolio. It will also be accompanied by a draft letter for you to send to the Minister of Finance, confirming what initiatives you have submitted.

Options for the New Zealand Screen Production Rebate – International (cost pressure)

4. There are current cost pressures within the New Zealand Screen Production Rebate – International (the rebate) as the appropriation does not reflect the volume of productions forecast to work in New Zealand.
5. You have been asked by the Minister of Finance for policy options (including termination) to lower the future costs of the rebate to address ongoing cost pressures it places on the portfolio. There are cost pressures of approximately \$172 million annually from the rebate from 2026/27, as the forecast spend (approximately \$225 million annually) is more than the annual appropriation (\$50.56 million annually). From 2020/21 to 2025/26 this cost pressure was previously managed through the creation of multi-year appropriation (MYA), but this appropriation closes in June 2026.
6. We previously highlighted three policy options to manage the cost pressure:
 - a. close the rebate
 - b. add a programme and/or project caps, or
 - c. change the configuration of the rebate.
7. We recommend exploring a cap on the rebate as an option alongside changes to other policy settings.
8. Given that the current appropriation is not set at a level that is representative of a conservative or optimistic spend on the rebate, all the policy options which keep the rebate will need an appropriate fiscal treatment to uplift the current funding from 2026/27 and outyears. Table 1 in **Annex One** outlines the estimated financial impacts of the options against the current appropriation. **Annex Two** contains a description the economic benefits of the rebate which will be included the submission on the rebate to the Treasury.

Close the rebate

9. Closing the rebate is a policy option to address the current cost pressure it creates. Accounting for the current committed funding, closing the rebate would create savings of \$113.25 million between 2024/25 and 2028/29. This number may be lower depending on the number of productions registered between now and the closure of the rebate.
10. Given the financial and non-financial benefits of the screen sector to New Zealand, we do not recommend progressing work to submit this option. The initiative submission to Treasury will highlight the benefits to New Zealand that would be lost from closing the rebate.

Programme and/or project caps

11. Currently, there is no cap on the rebate, and costs to government have increased over time as private expenditure on screen production has grown. A cap would effectively mean that the rebate would be available to productions on a 'first-in-first-served' basis. A cap would provide a hard limit on the rebate and would be the most effective way to ensure fiscal sustainability of the rebate to a desired level.
12. A cap could be set at an annual level or take an average across a multi-year period. The appropriation would be increased to the new level and the appropriation could receive the appropriate fiscal treatment to manage cost pressures across Budget periods. Current forecasting suggests that \$225 million annually could be a conservative cap, but caps could also be set at lower amounts (\$200, \$150 or \$100 million annually). This cap could be made up of a combination of a total programme and/or project caps to ensure the programme was not exhausted by one or two projects. Given the commitments made to current registered productions, a cap could only be implemented in full in 2025/26.
13. A cap may be perceived negatively by the sector as it may create some uncertainty about the rebate for any given production (especially those seeking to register their spend later in the financial year), but setting programme and/or project caps at levels that reflects accurate forecasting alongside proactive communication with the sector could manage this risk.
14. We do not recommend a cap at the current \$50.56 million annual appropriation as this is likely to significantly impact the operation of the sector. A cap at this level would support under 10 productions a year, depending on the size of productions. In comparison, the current forecast rebate spend of \$270 million in 2024/25 will support production activity on 56 productions.

Change the configuration of the rebate

15. There are options to change the configuration of the rebate in terms of:
 - a. The rebate rate for Qualifying New Zealand Production Expenditure (QNZPE), and/or eligibility to receive it (currently a 20% rebate on QNZPE of at least \$15 million for feature films or at least \$4 million for non-feature films/television).
 - b. The rate of the uplift, and/or eligibility for it (currently an additional 5% rebate on QNZPE of at least \$30 million).

- c. The inclusion of (or application of) the post-production, digital and visual effects component of the rebate (currently a 20% rebate on QNZPE of at least \$250,000).
16. At the officials meeting on 3 December 2024, we discussed with you options to increase the QNZPE threshold for the uplift. You identified that ensuring the settings are simple to understand and implement would be a key factor in any changes you would consider. You preferred not to raise the rebate percentages (currently 20% or 5%).
17. Aside from changes to the uplift in November 2023, there has been relatively few substantive changes to the rebate percentages or the QNZPE thresholds. Between 2015 and 2019, there were more restrictive QNZPE criteria as to what spend qualified. The thresholds for the post-production, digital and visual effects component of the rebate were reduced in 2015 (from \$1 million to \$500,000) and again in 2023 (from \$500,000 to \$250,000).
18. Changing the configuration of the rebate in isolation from forms of programme and/or project caps still creates a risk that demand for the rebate is beyond the level of the appropriation. However, ongoing forecasting work could allow the Government to set the appropriation at the right level.
19. Given the commitments made to current registered productions, policy changes could only be implemented in full in 2029/30. New policy changes could apply to productions seeking to register in New Zealand with appropriate consultation and notice.
20. We recommend considering two options: increasing the uplift threshold to \$50 million and/or increase the post-production, digital and visual effects threshold to \$1 million.

Increasing the uplift threshold to \$50 million of QNZPE

21. We have undertaken preliminary modelling on increasing the uplift threshold to \$50 million. Considering commitments made to registered productions, we have modelled that increasing eligibility for the uplift to a threshold of at least \$50 million of QNZPE would decrease the annual rebate spend by around \$4 million annually.

Increase the post-production, digital and visual effects threshold to \$1 million of QNZPE

22. This change would be a return to the 2015 policy settings for this component of the rebate. The rebate threshold has been reduced twice as a deliberate policy choice to incentivise the development of the post-production, digital and visual effects sector in New Zealand. This element of the rebate is used by mostly smaller productions. The annual QNZPE for productions who have claimed the post-production, digital and visual effects is \$11.76 million, but 163 productions have received it (compared to \$32.98 million average QNZPE over 70 productions for the main 'international' component of the rebate). This component does make elements of the rebate available to more productions.
23. We have undertaken preliminary modelling on increasing the post-production, digital and visual effects threshold to \$1 million. Considering commitments made to registered productions, we have modelled that increasing eligibility for uplift to a threshold of at least \$1 million of QNZPE would decrease the annual rebate spend by around \$0.55 million annually in 2028/29 and in outyears.

Risks

24. Changing the policy settings comes with risks. The current settings were implemented in November 2023 following an 18-month review. Throughout the review, sector stakeholders emphasised the importance of clarity, certainty, and stability in incentive settings. Substantively revisiting the recent changes to rebate settings or considering further changes (other than increases to rebate rates), is likely to be negatively received by the sector and risk undermining perceptions of the continuing certainty and stability of incentives in New Zealand. Given the recent changes to the rebate, there is merit in letting the changes bed-in and assessing the demand. However, if you consider changes are necessary to manage the appropriation cost pressure, we recommend making changes to the uplift and post-production, digital and visual effects thresholds.

New Zealand Screen Production Rebate – Domestic

25. The Minister for Arts, Culture and Heritage has also been asked to consider policy options for the New Zealand Screen Production Rebate – Domestic. The two components of the screen rebate are interdependent and support the overall screen sector system. MBIE are meeting with the Ministry for Culture and Heritage regularly on the two parts of the rebate. Confidential advice to Government

Next steps

26. The relatively low rebate appropriation compared to the average rebate spend, and the subsequent cost pressure it places on the Crown accounts, has been a source of scrutiny in successive Budgets. We recommend that policy options, including capping and changing the uplift and the post-production, digital and visual effects threshold are submitted as options for Budget 2025. Collectively, these would ensure that the forecast spend for the rebate is predictable and does not incentivise unlimited growth (and create subsequent cost pressures to the Crown).
27. We will supply you with a draft letter to the Minister of Finance for you to outline the Budget initiatives in your portfolio. This letter could highlight the findings from MBIE's recent cost benefit analysis and forecasting work and suggest that you begin work on a future Cabinet paper about the right level for the appropriation to be set at.
28. Agreement on a future Cabinet paper would allow Cabinet to discuss and recognise the benefits alongside the costs of the rebate. This will also allow the international screen rebate to be considered by other portfolios with an interest in the screen sector, including the regional development, tourism, trade and arts, culture and heritage portfolios. It may also allow Cabinet to consider the international rebate alongside the domestic rebate as the current settings for both rebates create cost pressures.

Options for Economic Development portfolio grants and funds

Major Events Fund

29. The Major Events Fund is a contestable fund used to invest in major events to achieve Government priorities.

Policy options to make savings in the Major Events Fund

30. The Minister of Finance has asked you for savings options of between \$22.28 million (low) and \$44.56 million (high) in total annually from three funds within the portfolio:
 - a. Major Events Fund.
 - b. International Growth Fund.
 - c. Strategic Investment Fund.
31. Collectively, these three funds have a total average operating cost of \$44.56 million annually. The Minister of Finance has asked you for options which would effectively close or halve these funds. Information about the International Growth Fund and the Strategic Investment Fund will be provided to you in separately in BRIEFING-REQ-0007117.
32. Table 2 in **Annex Three** outlines the estimated financial impacts of the options for the Major Events Fund against the current appropriation. **Annex Four** contains a description the economic benefits of the Major Events Fund which will be included the submission on the rebate to the Treasury.

Closing the Major Events Fund

33. Closing the Major Events Fund would create savings of \$29.30 million over five years (2024/25-2028/29), achievable without cancelling current committed major events. The closure of the Major Events Fund would stop central Government from utilising major events to secure economic, social and cultural benefits for New Zealand.
34. Applications collectively seeking \$11.75 million through to 2030/31 are under active consideration. There are several committed events in 2026/27 which account for the full current appropriation, including the New Zealand Open, inaugural Women's British Irish Lions Tour, SailGP and Winter Games New Zealand.
35. Given the financial and non-financial benefits of major events to New Zealand, we do not recommend this option.

Halving the appropriation for the Major Events Fund

36. Halving the appropriation of the Major Events Fund would create savings of \$5.70 million annually from 2027/28, but this would only be achievable from 2027/28 without cancelling current committed major events. This option would allow the Government to retain a small major events attraction function, but it has risks for New Zealand's attractiveness as a destination for major events, given that central government endorsement and financial support is often sought by rights holders. It would also limit the pipeline of the types of events New Zealand would attract and bid for (putting a greater focus on large events, fewer sporting events, and a decision whether to focus on high performance or mass participation).
37. \$5.70 million annually from 2027/28 is likely to secure one large event annually, or three smaller events annually. In the future you could discuss with other Ministers the option for larger events to be funded by International Visitor (Conservation and Tourism) Levy, or one-off other funding mechanisms through Cabinet decisions.

Scaling the appropriation for the Major Events Fund

38. You could consider an alternative scaling of the Major Events Fund to \$10 million annually (from \$11.39 million). This option would create savings of \$1.39 million annually from 2027/28 and would allow the Government to retain a major events attraction function. \$10 million annually was the annual value of the Major Events Fund in 2016/2017.
39. Reducing the Major Events Fund would mean the investment decisions would need to be more specific and deliberate to balance investment priorities.
40. Combined with the likely preferred options for the International Growth Fund and the Strategic Investment Fund, this option would not meet the quantum of savings for grants and funds expected by the Minister of Finance, but you may wish to discuss it with other Ministers.

Next steps

41. Officials will be available to discuss your preferences at the Economic Development officials' meeting on 9 December 2024.
42. This briefing is the second in a series of briefings over the next two weeks, seeking your feedback on the portfolio savings initiatives as we develop them. The timeline is as follows:

Briefing	Date sent to your office	Due date for your feedback
Briefing 1: Initial options	Completed, 28 November	Completed
Briefing 2: Finalised options	Thursday, 5 December	Monday, 9 December
Briefing 3: Sign-off and draft letter to the Minister of Finance	Thursday, 12 December	Monday, 16 December
All MBIE initiatives are due to the MBIE central team for submission on Tuesday, 17 December.		

43. Following your feedback on 9 December, we will work on further advice for Briefing 3 and your letter to the Minister of Finance.

Annexes

Annex One: Options for the New Zealand Screen Production Rebate – International

Annex Two: Economic benefits of the New Zealand Screen Production Rebate – International

Annex Three: Options for the Major Events Fund

Annex Four: Economic benefits of the Major Events Fund

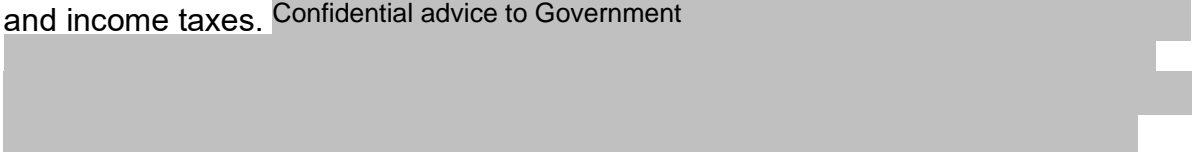
Annex One: Options for the New Zealand Screen Production Rebate – International

Table 1: Options for the New Zealand Screen Production Rebate – International

	2024/25 \$ million	2025/26 \$ million	2026/27 \$ million	2027/28 \$ million	2028/29 & Outyears \$ million	Total
Total Non-Departmental Expenses						
New Zealand Screen Production Grant - International 2021-2026 (MYA Expense); Large Budget Screen Production Fund (ongoing)	186.21	175.31	50.56	50.56	50.56	513.20
Total Potential Savings						
Status quo (current cost pressure)	(83.99)	(60.27)	(168.66)	(172.30)	(175.09)	(660.32)
Option 1: Close the rebate*	(73.21)	83.63	38.02	14.27	50.55	113.25
Option 2: Add a programme and project cap (\$225 million annually)*	(73.21)	(49.69)	(149.44)	(174.44)	(174.44)	(621.22)
Option 3: Change the QNZPE thresholds for the uplift and the post-production, digital and visual effects components*	(70.86)	(53.83)	(143.89)	(142.64)	(106.39)	(517.62)

* forecast numbers as of 30 November 2024, assuming an immediate implementation of options to prevent further registration of productions.

Annex Two: Economic benefits of the New Zealand Screen Production Rebate – International

1. The New Zealand Screen Production Rebate – International (the rebate) attracts investment into New Zealand. International productions hire New Zealand film studios and other facilities to build film sets, and purchase goods and services from local businesses, paying GST on a wide variety of products including accommodation, building materials, hospitality services and transport. Between 2014/15 and 2023/2024, inbound productions invested about \$7.7 billion in New Zealand, supported by around \$1.2 billion in rebate payments.
2. Since 2014/15, an average production eligible for the international rebate has spent \$32.98 million in New Zealand and received an average rebate of \$6.62 million (excludes large ‘uplift’ productions and the smaller ‘post-production, digital and visual effects’ component).
3. We are currently undertaking an updated cost-benefit analysis to contribute to the Budget 2025 submission to the Treasury. Initial work has confirmed that the previous assessment, that every dollar government invests in the international rebate, generates a return of investment of \$2.35 is still accurate. We are also looking to assess the benefit that eligible screen productions bring to the Crown through sales and income taxes. Confidential advice to Government

4. The international screen sector creates employment opportunities for New Zealand’s screen talent. In 2023/24, 87 per cent of crew working on international productions receiving the rebate were New Zealanders. Work on international productions enable New Zealanders to gain experience with new production technologies and methods. Large international productions (eligible for the ‘uplift’ component of the rebate, such as *The Wrecking Crew* and *Spartacus*) invest in skills and talent development activities including internships and masterclasses, which helps New Zealand crew develop skills essential to building a sustainable industry. In these productions, New Zealanders are often found in senior roles, as directors, or producers.
5. New Zealand is recognised globally for its scenic beauty and state-of-the-art production capabilities, largely due to international films like *The Lord of the Rings* and *Avatar* supported by the rebate. These productions have significantly boosted the country’s profile as a world-class filming location and the release of productions like *Pete’s Dragon* and *The Lord of the Rings* trilogy have global marketing benefits shining a spotlight on New Zealand.
6. Aside from the direct spend, the international screen production sector also contributes wider benefits to the economy through spillover benefits to tourism, the innovation sector, and New Zealand’s brand and reputation. These wider benefits, for New Zealand communities and for the wider Crown accounts though taxes and other revenue, are not reflected in the direct appropriation.
7. Productions have a choice about whether to operate in New Zealand and rebates do influence that choice. It is a competitive sector, and while New Zealand has natural advantages, countries like Australia, Canada, and Ireland have strengthened their incentive schemes.

Annex Three: Options for the Major Events Fund

Table 2: Options for the Major Events Fund

	2024/25 \$ million	2025/26 \$ million	2026/27 \$ million	2027/28 \$ million	2028/29 \$ million	Total
Total Non-Departmental Expenses						
Major Events Development Fund 2022-2027 (MYA Expense); Major Events Development Fund (ongoing)	22.53	11.39	11.39	11.39	11.39	68.09
Total Potential Savings						
Option 1: Close the Major Events Development Fund*	8.90	2.78	(0.53)	7.76	10.39	29.30
Option 2: Halve the Major Events Development Fund appropriation*	2.37	2.78	(0.53)	5.70	5.70	15.99
Option 3: Scale (\$10 million annually) the Major Events Development Fund*	1.39	1.39	1.39	1.39	1.39	6.95

* forecast numbers as of 30 November 2024, assuming an immediate implementation of options without any additional committed spending.

Annex Four: Economic benefits of the Major Events Fund

1. The last evaluation of the Major Events Fund found it generated \$96.50 million in net economic benefit over a five-year period and was returning \$4.80 for every \$1.00 invested. It found that investments from the Major Events Fund created \$96.7 million in economic benefit, attracted 43,400 international visitors who stayed an average of 9.7 days and spent \$186 per day. For this return, the Major Events Fund made a total investment of \$20.13 million across 37 events.
2. Massey University research has valued the economic and social contributions of domestic event attendance at \$17.3 billion, with a \$3.20 return in benefits to the wider community for every dollar spent (in the 12 months to June 2024). Across the same period, the events sector supported the creation of 60,500 full time equivalent roles.
3. Government intervention in events addresses a market failure, allowing economic, social and cultural spillover benefits that would otherwise be lost, or not fully maximised, to be secured. A new Major Events Strategy was introduced this year that directs the investments from the Major Events Fund to focus on events that secure economic, productivity, and promotional benefits for New Zealand.
4. Like the screen sector, major events bring a variety of financial and economic benefits and non-financial, social and cultural benefits to New Zealand. Major events create vibrancy, which is important for the visitor experience and linked to New Zealand's tourism proposition. Event organisers spend money on facilities, workforce, hospitality and other services when they host an event in New Zealand.
5. New Zealand SailGP, held in Christchurch in March 2024 with a \$1.35 million investment from the Major Events Fund, had specific benefits for tourism and for New Zealand's brand and reputation, Confidential advice to Government and a total broadcast audience of 74.6 million people. Deloitte valued the total economic benefit of the New Zealand SailGP event at over \$35 million. Similarly, the ITM Taupō Super400 2024 (V8 Supercars), held in April 2024 with a \$2 million investment from the Major Events Fund, had a total international viewership of 3.9 million (including to Australia, our biggest tourism market) and Confidential advice to Government which would have notably flowed to Taupō's regional economy.
6. Large scale events with large participant numbers also bring benefits. The World Choir Games 2024, held in Auckland in July 2024, secured 81,676 international visitor nights during the off-peak season.