The Treasury

Budget 2017 Information Release

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[1]	to prevent prejudice to the security or defence of New Zealand or the international relations of the government	6(a)
[4]	to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial	6(c)
[11]	to damage seriously the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the entering into of overseas trade agreements.	6(e)(vi)
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[25]	to protect the commercial position of the person who supplied the information or who is the subject of the information	9(2)(b)(ii)
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[31]	to maintain the current constitutional conventions protecting collective and individual ministerial responsibility	9(2)(f)(ii)
[33]	to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials	9(2)(f)(iv)
[34]	to maintain the effective conduct of public affairs through the free and frank expression of opinions	9(2)(g)(i)
[36]	to maintain legal professional privilege	9(2)(h)
[37]	to enable the Crown to carry out commercial activities without disadvantages or prejudice	9(2)(i)
[38]	to enable the Crown to negotiate without disadvantage or prejudice	9(2)(j)
[39]	to prevent the disclosure of official information for improper gain or improper advantage	9(2)(k)
[40]	Not in scope	

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) and section 18 of the Official Information Act.

Reference: T2017/365 DH-51-2

Date: 23 February 2017

To: Minister of Finance (Hon Steven Joyce)
Associate Minister of Finance (Hon Simon Bridges)

Aide Memoire: New Zealand Screen Production Grant – International Multi-Year Appropriation

You requested additional information on the *New Zealand Screen Production Grant – International* (NZSPG) multi-year appropriation (MYA), specifically how the 'run-rate' is impacted by the proposed changes and whether any other changes were being examined.

The MYA has been accruing at higher than anticipated levels since 2014/15. The 2014/15 year saw accruals of $109.761 million; 2015/16 had accruals of $118.747 million; and in 2016/17 the Ministry of Business Innovation and Employment (MBIE) anticipate accruals of approximately $123+ million. Expected accruals in 2017/18 are already $82.150 million and $42.500 million in 2018/19. Further accruals for [25] in 2019/20 are expected to be [25] in 2019/20[1]. Detailed accrual information can be found in appendix one.

Table one: NZSPG Accruals (from MBIE)

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Accruals ($m)	$109.761	$118.474	$123.422*	$82.150*	$42.500*	$35.000*

**these figures are based on anticipated production levels for known productions only*

Forecasting the future 'run-rate' against the MYA is difficult due to the large number of variables influencing production location decisions. We expect the call on the MYA to be remain relatively flat at levels of approximately $120 million per annum in the short-term[2] due to capacity constraints in the screen sector. However, if the proposed changes sought [T2017/131 refers] are agreed to, we would anticipate the call on the MYA to be approximately $10 million less in coming years, assuming demand levels remain consistent.

1 Note: there is $50.556 million baselined in 2019/20

2 The short-term is the remaining years of the MYA – 2017/18 and 2018/19

Furthermore, location-shoots, which require less studio capacity creates a degree of uncertainty, as do the impact of other factors as the exchange rate and other jurisdictions' production inventive regimes. The current levels of demand and volume of production work in New Zealand may mean that further investment by the sector in additional studios may occur over the medium term. If this investment does occur, we anticipate that the call on the MYA would likely increase.

In profiling the 'run-rate' on the MYA, there are other variables which appear to have a material impact. First is the timing of productions. As illustrated in appendix one, productions often accrue spending across years and the New Zealand Film Commission (NZFC) estimate a production's spend in any given year. However, this is not always accurate and accruals often shift in subsequent years once NZSPG applications are received. The proposed registration requirement [T2017/131 refers] will help bring more certainty to the accruals. Second, typically recipients of the Significant Economic Benefit 5% Uplift (SEB) are large budget productions (~$100 million) which further complicates the profiling of spend against the MYA. If two or three of these productions receive the SEB, this creates an additional call of approximately $15 million in any given year.

Given the large number of variables that influence international productions' decision to locate in New Zealand, it is difficult to say with certainty what the level of international screen activity in New Zealand is expected to be. No other changes to the NZSPG criteria, beyond the changes proposed in T2017/131 are being sought at this stage. Previously we proposed examining further fiscal control measures such as a cap per production, or a sliding rebate scale for all productions [T2016/1177 refers], however these options were declined.

Michael Chatterley, Analyst, Economic Performance & Strategy (Policy), [39]

Sam King, Acting Team Leader, Economic Performance & Strategy (Policy), [39]

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