



New Zealand
FILM COMMISSION



Te Tumu Whakaata Taonga

Proposal to charge fees for NZSPG applications

Discussion Document

July 2017

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New Zealand Film Commission



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Discussion Document

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1. Consultation

Submission process

1.1 The New Zealand Film Commission (**NZFC**) seeks written submissions on the proposals outlined in this discussion document. When preparing your submission please:

- include the question number if you are responding to a specific question;
- incorporate any supporting information or analysis that supports your comments;
- provide submissions in both pdf format and an editable format such as Word; and
- it would be helpful to the process if you include your full name and email address. This will allow us to acknowledge receipt of your submission and possibly contact you in relation to your submission (not obligatory).

1.2 Please send your submission in electronic form to nzspg@nzfilm.co.nz.

1.3 If you are unable to submit in electronic form you can post a hard copy of your submission to:

Incentives Team
New Zealand Film Commission
PO Box 11 546
Manners Street
Wellington 6142

1.4 If you have any questions about this discussion document or about the submission process, please contact us on the email address above.

1.5 The closing date for submissions is **11 August 2017**

Next steps

1.6 NZFC staff will review submissions in the period between 14- August – 8 September 2017. The NZFC will then consult with the Ministry of Business, Innovation and Employment and the Ministry for Culture and Heritage.

1.7 A final decision on fees for NZSPG applications will be made and published in September 2017.

Publication and release of submissions

1.8 The NZFC may publish submissions it receives on the NZFC website. If you do not want your submission to be published, please make this clear in your submission.


1.9 Submissions are subject to the Official Information Act 1982 and may be released in part or in full. When making your application please state whether you have any objections to the release of any information contained in your submission and explain your reasons for withholding the information. The NZFC will take these reasons into account when processing requests under the Official Information Act 1982. Submitters should be aware that information may be required to be released under the Official Information Act 1982.



2. Executive Summary
- 2.1 The NZFC is responsible for administering the New Zealand Screen Production Grant (**NZSPG**). An important part of the NZFC's responsibility for administering the NZSPG is the NZFC's role in processing and assessing applications for the NZSPG.
- 2.2 The positive and immediate response to the introduction of the NZSPG in 2014 has significantly increased the number of applications made.¹ This has resulted in increased administration costs for both the NZSPG - New Zealand and NZSPG - International.
- 2.3 This increase in administration costs has prompted the NZFC to consider who should pay for the cost of processing and assessing NZSPG applications. The NZFC's initial view is that it is appropriate to charge a fee to the persons who make an application for the NZSPG. The NZFC's preferred option is for this fee to reflect marginal cost.
- 2.4 This discussion paper sets out in more detail the principles underlying the NZFC's proposal. The paper also includes underlying cost data and analysis to enable stakeholders to understand the rationale for the proposed level of charges and to enable stakeholders to provide considered feedback on the proposal.
- 2.5 This discussion paper has been prepared with reference to the Treasury's *Guidelines for Setting Charges in the Public Sector* (December 2002) and the Controller and Auditor General's *Charging fees for public sector goods and services* (June 2008).

¹ Compared with applications made for the NZSPG's predecessors - the Screen Production Incentive Fund (SPIF) and the Large Budget Screen Production Grant (LBSPG).





3. Index of questions

- (a) Do you agree that the NZFC should charge a fee for making an application for the NZSPG? Why or why not?
- (b) How will the introduction of a fee affect you?
- (c) What fee charging option from the following option do you think is best?
 - (i) partial recovery of direct costs;
 - (ii) actual costs
 - (iii) fixed fees

Please give reasons for your response.

- (d) Do you wish to provide any feedback on the level of fees proposed in paragraph 9.5?
- (e) Are there any other options for funding that we have not considered? If so, what are they?

4. Background

The New Zealand Film Commission

4.1 The New Zealand Film Commission (**NZFC**) is an Autonomous Crown Entity established under the New Zealand Film Commission Act 1978 (the **Act**). The functions of the NZFC are²:

- (a) to encourage, participate and assist in the making, promotion, distribution and exhibition of films:
- (b) to encourage and promote cohesion within the New Zealand film industry, and in particular:
 - (i) to encourage and promote the exchange of information among persons engaged in the film industry;
 - (ii) to encourage and promote the efficient use of available resources within the New Zealand film industry; and
 - (iii) to co-operate with other interested or affected bodies and organisations in order to encourage and promote employment in the New Zealand film industry:
- (c) to encourage and promote the proper maintenance of films in archives:
- (d) to encourage and promote, for the benefit of the New Zealand film industry, the study and appreciation of films and film making:
- (e) to gather, collate, disseminate, and publish information that, in the opinion of the NZFC, relates to the making, promotion, distribution, and exhibition of films:
- (f) to advise the Minister on matters relating to or affecting the functions of the NZFC.

The New Zealand Screen Production Grant

4.2 The New Zealand Screen Production Grant (**NZSPG**) was introduced in 2014 to support the development of a sustainable and resilient domestic screen industry, to incentivise the making of films with New Zealand cultural content and to increase the competitiveness of New Zealand's incentives for international productions.

4.3 The NZSPG is comprised of two grants: the NZSPG for International Productions (**NZSPG - International**) and the NZSPG for New Zealand Productions (**NZSPG - New Zealand**).

4.4 The purpose of the NZSPG - International, funded out of Vote Business Science and Innovation, is to provide economic and industry development benefits to New Zealand by incentivising screen production (and the resulting production expenditure in New Zealand) that would not have otherwise been made in New Zealand. The amount of the

² New Zealand Film Commission Act 1978, section 17.




NZSPG - International is 20% of qualifying New Zealand production expenditure (**QNZPE**), unless the applicant applies for and is granted a 5% uplift, making the total grant 25%.

- 4.5 The purpose of the NZSPG - New Zealand, funded out of Vote Arts Culture and Heritage is:
- (a) to provide cultural benefits to New Zealand by supporting the creation of New Zealand content and stories; and
 - (b) to build the sustainability, scale and critical mass of the domestic industry, and support the development of New Zealand creatives.
- 4.6 The amount of the NZSPG - New Zealand is 40% of QNZPE, up to a maximum of \$15 million QNZPE. Screen productions may apply for an additional grant for QNZPE above \$15 million.
- 4.7 Eligibility for the NZSPG is determined in accordance with the relevant criteria (the *New Zealand Screen Production Grant Criteria for International Productions* or the *New Zealand Screen Production Criteria for New Zealand Productions*).
- 4.8 The NZFC administers the NZSPG - International on behalf of the Ministry of Business Innovation and Employment (**MBIE**) and the NZSPG - New Zealand on behalf of the Ministry for Culture and Heritage (**MCH**).

Administration of the NZSPG

Applications for the NZSPG

- 4.9 To access the NZSPG, applicants must submit an application to the NZFC, for consideration by the NZSPG Panel. Applicants can choose whether or not to submit a provisional application, but must make a final application. Making a provisional application enables applicants to get an indication of their eligibility for the NZSPG and the extent to which the applicant satisfies the requirements of the NZSPG Criteria.
- 4.10 When the NZFC receives an application, the application is checked by NZFC staff to ensure that it is complete and that it includes all required documents. Once the application is complete, the NZFC sends the applicant an acknowledgement letter.
- 4.11 The complete application is sent to an independent consultant contracted by the NZFC. The independent consultant's role is to provide an independent assessment of the application against the requirements of the criteria.
- 4.12 The skills and expertise of independent consultants, in addition to their independence, provides additional specialist input, checks and balances and resource, to supplement the role played by NZFC staff, particularly in analysing the financial information provided as part of a NZSPG application.
- 4.13 Following assessment by independent consultants and/or by NZFC staff members, a report is prepared by the NZFC for consideration by the NZSPG Panel. The NZSPG Panel is the body responsible for deciding whether applications satisfy the criteria and therefore whether the applicant and production are eligible for a NZSPG. The NZSPG panel makes



its decision on the basis of the NZFC staff report (including independent consultant input), material supplied by the applicant and, in the case of final applications, the comprehensive financial audit commissioned and paid for by the applicant. The NZSPG Panel meets regularly to consider NZSPG applications.

4.14 The NZSPG Panel is comprised of industry practitioners and representatives from the NZFC and either MBIE or MCH depending on whether a production is applying for the NZSPG -International or NZSPG - New Zealand. A representative from the Inland Revenue Department is also invited to observe.

5. Problem Definition

5.1 The NZFC does not currently charge an application fee for the NZSPG. The cost to the NZFC of administering the NZSPG (including the NZFC's internal costs, the cost of independent consultant reports and payments to industry members who sit on the NZSPG panel) is currently paid from the NZFC's core budget. The upshot is that a large part of the cost of processing applications is met from general taxation.

5.2 The problem is that a significant increase in the number of applications over recent years is stretching the NZFC's capacity and resources to provide this service. Costs to the NZFC of processing and assessing applications have increased, putting pressure on other NZFC funding.

5.3 There is a risk that other NZFC activities could be affected if the costs to the NZFC of processing and assessing applications increases and NZFC funding does not keep pace with this increase.

5.4 A secondary problem is that applicants do not pay the costs of a service of which they are direct private beneficiaries, such costs instead being met from general taxation. This could be considered to be unfair.

This paper considers ways to address and mitigate these problems.

6. Legal Authority to charge fees

6.1 The New Zealand Film Commission Act 1978 (the **Act**) grants the NZFC legal authority to charge fees in specified circumstances. Section 19(1)(k) of the Act provides that:

for the purposes of carrying out its functions, the Commission may make charges for the provision of any of its services or the use of any of its facilities.

6.2 This authority to charge is broadly worded, and gives the NZFC wide discretion in deciding when and how to charge fees. We note that:

- (a) the decision to make charges is discretionary;
- (b) the ability to charge is not limited to any particular kind or type of charge or fee;

- (c) the Act does not require the NZFC to follow any particular process in setting and imposing charges; and
- (d) there are no restrictions on the kind of costs that can be recovered, provided the charges are for the provision of the NZFC's services or use of its facilities.

6.3 The Act does not specify a particular process for the NZFC to follow in setting and imposing charges. The NZFC intends to follow the established process set out in the Treasury's *Guidelines for Setting Charges in the Public Sector* and the Controller and Auditor General's *Charging fees for public sector goods and services*.

7. Should the NZFC introduce a fee for assessing NZSPG applications?

Assessment of NZSPG Applications

7.1 This paper is concerned with the process of assessing applications for the NZSPG. The process of assessing NZSPG applications is intended to ensure:

- (a) the payment of NZSPG grants only to applicants that meet the requirements of the NZSPG Criteria; and
- (b) the payment of NZSPG grants in accordance with the policy objectives of the NZSPG.

7.2 Accurate and efficient assessment of NZSPG applications will also assist in achieving the overarching policy objectives of the NZSPG itself.

7.3 In respect of applications for the NZSPG - International, the policy objective is to provide economic benefits to New Zealand by incentivising screen production (and the resulting production expenditure in New Zealand) that would not otherwise have been made in New Zealand.

7.4 In respect of applications for the NZSPG - New Zealand, the policy objectives are supporting the development of New Zealand creatives and providing cultural benefits to New Zealand by supporting the creation of New Zealand content and stories and building the sustainability and critical mass of the domestic industry.

Alternative ways of assessing applications

7.5 As outlined at Part 4 above, applications are typically assessed using a combination of NZFC internal resources, private sector consultants, wider Government officials and paid industry representatives.

7.6 The current process is in place because, in 2014 when the NZSPG was introduced, Ministers, officials and staff considered that utilising a combination of NZFC internal resources, private sector consultants, wider Government officials and paid industry representatives provides the best balance of cost, independence and expertise. However, as part of the process of considering a fee for NZSPG applications we have considered alternatives. On balance, NZFC staff consider the alternatives below would produce inferior outcomes to the status quo, but welcome the views of the sector.

Alternative public sector provider

An alternative to the NZFC assessing NZSPG applications is for another public sector provider to assess them. Specialist industry knowledge and expertise (particularly in relation to production financing, screen sector accounting and television production and filmmaking norms and methodologies) are required to assess an NZSPG application.

The NZFC is one of the government agencies responsible for the growth, funding and support of the New Zealand screen sector. NZFC staff already possesses the necessary industry knowledge and experience to administer applications. Because of these reasons, NZFC staff consider NZFC is best placed to process applications efficiently and effectively. An alternative government agency would have less expertise than the NZFC and would likely also use independent consultants to supplement the assessment process.


The NZFC therefore sees no net benefit in shifting to an alternative public sector provider.

Replacing public sector provider with private sector

- 7.7 The nature of the 'service' required to administer a New Zealand Government incentive scheme makes it inappropriate to outsource the entire process to the private sector. Due to the small size of the domestic screen sector, it is unlikely a fully independent provider exists with the required specialist knowledge and experience. The NZFC also believes that assessment of eligibility for a large government incentive is a service that should always have a reasonable degree of public sector involvement. To ensure that policy objectives are observed, the NZFC considers that the current mix of public and private sector involvement in the application assessment process strikes an appropriate balance.
- 7.8 Due to the nature of the NZSPG, the specialist technical knowledge required to administer the NZSPG, the limited pool of qualified resources available (and the level of fees proposed), suggest that the introduction of contestability into the administration of the NZSPG is not practicable and would come at a significant cost.
- 7.9 Replacing independent consultants with NZFC staff would reduce the external costs of processing and assessing applications. However, this would require an increase in NZFC staffing levels, which could (if the increase in NZFC staff is costlier than engaging independent consultants) have the effect of diverting funds from within the NZFC's core funding away from other NZFC activity, such as feature film production.
- 7.10 Because application numbers fluctuate, it is preferable to have some flexibility in the amount of resource available to process applications. Independent consultants provide this flexibility.
- 7.11 Removing independent consultants from the assessment process would also remove the independent aspect of the process, which is a useful check.

Economic characteristics of the service

- 7.12 In its *Guidelines* paper, the Treasury emphasises that it is important for a public sector agency to understand the economic characteristics of a good or service in order to guide



whether cost recovery is appropriate for that good or service. Goods (the definition of which includes services) can be roughly categorised into four groups: public goods, private goods, merit goods and club goods.

- 7.13 Assessment of NZSPG applications, as opposed to the screen production that the NZSPG ultimately funds, is best categorised as a private good. Persons can be easily excluded from the benefits of the assessment process (the process is excludable), and one person's use of the assessment process conflicts with use of the process by another person (the process is rivalrous in that only one application is permitted in respect of a production).
- 7.14 There is a strong case for recovering the costs of providing a private good from those who benefit from that good.

Impacts and Incentives

- 7.15 The impacts of introducing a fee on current and potential users of the assessment service are considered below.

Cumulative Impact

- 7.16 Applicants for the NZSPG are not subject to any extraordinary government charges. NZFC considers that the effect of introducing a fee for making an application for the NZSPG will not result in applicants being overly burdened with public sector charges.

Barrier to entry?

- 7.17 The NZFC considers that charging a fee for making an application for the NZSPG will not create a barrier to entry for new entrants to the market. This is because:
- (a) the proposed fee is small compared with the size of the production budgets of applicants; and
 - (b) the proposed fee is small compared with the value of the NZSPG applied for; and
 - (c) the criteria anticipate that only experienced producers will apply for the NZSPG.

Incentives and behaviours: applicant

- 7.18 As well as addressing the resourcing issue this paper is primarily intended to address, introducing a fee for making a NZSPG application is likely to incentivise the right kinds of behaviours from users of the assessment service. The NZFC considers that an application fee will:
- (a) encourage efficient use of the assessment service by discouraging speculative applications;
 - (b) if the fee is charged per application, encourage accurate and complete applications; and
- 7.19 Introducing a fee will provide an incentive for applicants to not make provisional applications, as these are not compulsory. Receiving fewer provisional applications is

likely to reduce the amount of information the NZFC has about productions in the 'pipeline', and this could have a detrimental impact on planning, resourcing and, in extreme cases, government cash flow.

7.20 However, the NZFC considers this risk to be small.

(a) NZSPG – New Zealand: other factors reduce the likelihood that the introduction of a fee will cause a decrease in provisional applications for the NZSPG – New Zealand. In the vast majority of cases, applicants for the NZSPG - New Zealand need to cash flow the NZSPG - New Zealand to finance a production and most or all lenders require a production to have provisional certification before the lender will agree to advance funding.

(b) NZSPG – International – applicants for NZSPG- International rarely make provisional applications.

7.21 As a result, the NZFC does not consider there will be a significant decrease in provisional applications if a fee is introduced for making an application.

Incentives and behaviours: NZFC

7.22 The introduction of a fee will transfer some of the costs of assessing applications from the NZFC to the users of the service. The risk that this transfer will decrease the NZFC's efficiency in administering the NZSPG is mitigated by the fact that the proposed fee does not include full recovery of direct costs or any of the indirect costs NZFC incurs from administering the NZSPG. Any risks of reduced efficiency will also be proactively managed by the NZFC through publishing cost information, continuing to publish and be accountable for the NZFC's key performance indicators relating to processing time, and regularly reviewing the level of fees at least every three years.

8. The cost of processing and assessing applications

Background

8.1 In the 2015/2016 financial year the NZFC received 46 NZSPG applications:

(a) 16 x New Zealand, Provisional applications;

(b) 13 x New Zealand, Final applications;

(c) 17 x International, Final applications.

8.2 The external cost to assess these applications was approximately NZ\$150,000 (excluding NZFC salaries, external legal fees and overheads), an average of NZ\$3,500 per application.

8.3 Detailed information about the direct costs of processing and assessing NZSPG applications is provided in **Error! Reference source not found.**

Direct and Indirect Costs

8.4 The direct costs of processing and assessing a NZSPG application include the costs of:

- (a) independent consultant fees;
- (b) payments to industry representatives on the NZSPG Panel;
- (c) external legal fees directly related to an application; and
- (d) other miscellaneous expenses.

8.5 The indirect costs of assessing a NZSPG application are NZFC overheads, including:

- (a) salaries for MCH, Treasury, IRD and Treasury staff who spend time preparing for, training for and attending NZSPG panel meetings, in addition to NZFC staff time spent processing and assessing applications; and
- (b) training staff and consultants.

Summary of independent consultant fees by application type

8.6 A large component of the direct cost of assessing an application is the cost of the independent consultant fee. The independent consultant's fee varies significantly based on the size and complexity of the application and type. The table below provides the range and average independent consultant fee by application type for the 2015-2016 period.

	Low	High	Average
New Zealand, Provisional	\$1,125	\$2,812	\$1,756
New Zealand, Final	\$1,691	\$7,187	\$3,578
International, Final	\$2,719	\$6,871	\$4,491
International PDV	\$625	\$2,210	\$1,255

Other jurisdictions


8.7 Some of the jurisdictions that compete with New Zealand to attract screen production charge an application fee. A number of different charging models are used and vary from a fee based on a production's budget to a flat fee. In dollar terms, fees can range from \$200 through to \$25,000. A full summary on competitive jurisdiction application fees is included in Schedule 2.

9. Design of the cost recovery regime

Who should pay?

9.1 Currently, the cost of assessing NZSPG applications is met from the NZFC's core funding received from MBIE and MCH. The consequence of this is that at least part of the cost of assessing NZSPG applications is met from general taxation.

9.2 The other option is to recover costs, in whole or in part, from people who benefit from the output (in this case, applicants).



9.3 In accordance with Treasury's *Guidelines*, the NZFC has taken into account the following factors in determining who should pay for some or all of the cost of assessing NZSPG applications:

- (a) legislative authority;
- (b) administrative feasibility;
- (c) behaviour and incentives of the parties; and
- (d) equity.

Applicants should pay at least some of the cost of the service

9.4 The NZFC's initial view is that the cost of assessing NZSPG applications should be met, at least in part, by applicants.

9.5 Taxpayers are indirect beneficiaries of the assessment service. Taxpayers indirectly benefit because assessment of applications helps ensure the payment of NZSPG grants to applicants that meet the requirements of the NZSPG Criteria and in accordance with the policy objectives of the NZSPG. In addition, accurate and efficient assessment of NZSPG applications will also assist in achieving the overarching policy objectives of the NZSPG itself (economic benefits, industry development benefits, cultural benefits), which in turn benefit taxpayers.

9.6 However, it is private applicants who benefit most. Applicants are direct private beneficiaries of the NZFC's assessment service. This private benefit is significant; applicants for the NZSPG – New Zealand can be paid up to \$20 million. Applicants for the NZSPG – International can be paid up to 25% of qualifying New Zealand Production Expenditure, with no limit on how much can be claimed.

9.7 Given the large private benefits that accrue to applicants, the NZFC considers that it fair that applicants pay at least part of the cost of assessing an application.

9.8 In addition, if applicants bear some of the economic cost of using the service, applicants will have greater incentive to use the service at an efficient level, for example only applying when the applicant considers it has a reasonable chance of success.

9.9 As discussed at paragraphs 6.2- 6.3, the NZFC is empowered by the Act to charge users for services provided by the NZFC. The NZFC's considers that the cost of introducing and administering a fee will be small in comparison with the revenue generated by the fee.

Full or partial cost-recovery from users?

9.10 The NZFC considers that recovering less than the full cost of providing the NZSPG application assessment service is appropriate in these circumstances because:

- (a) charging at full cost has the potential to materially reduce the attractiveness of New Zealand as a destination for international screen production, undermining the policy objectives of the NZSPG - International;

- (b) full cost charges could be a barrier to entry to smaller budget New Zealand screen producers;
- (c) partial cost recovery is often appropriate where charges are being phased in.

10. Preferred option

Charging at short-run marginal cost

10.1 The NZFC’s preferred option is to charge a fee that is less than, but close to, the marginal cost (that is, the cost of producing one more product or service). The NZFC propose to charge a fee which will account for a portion of the direct costs, but not any of the indirect costs to the NZFC or other Government Departments involved in providing this service.

The NZFC’s proposed approach – partial recovery of direct costs

10.2 Because of the significant size and complexity differences of New Zealand and International productions and between applications for provisional and final certification, the NZFC considers that application fees should vary between application types. In general, PDV applications and provisional applications are the simplest to assess, with final international applications being the most complex and challenging to assess. This is borne out in the different costs to assess applications and the NZFC considers that fee levels should generally reflect this hierarchy.

10.3 However, the NZFC does not consider that the fee charged should vary within each application type. This is because the NZFC does not consider that the benefits of a variable fee within an application type (which include increased proportionality between fee charged and benefit received) outweigh the additional administrative costs of calculating the fee and the uncertainty a variable fee system would create for applicants.

10.4 The NZFC therefore recommends that application fees are a flat fee based on application type.

Proposed NZSPG application fee structure

10.5 Based on the considerations outlined above, the NZFC proposes the following application fee structure.

	Approach	Proposed Fee
New Zealand, Provisional	Flat fee per application	\$1,000
New Zealand, Extension of Provisional Certificate	Flat fee per extension	\$250
New Zealand, Final	Flat fee per application	\$3,000
International, Provisional	Flat fee per application	\$1,000

International, Extension of Provisional Certificate	Flat fee per extension	\$250
International, Interim	Flat fee per application	\$4,250
International, Final	Flat fee per application	\$4,250
International PDV Final	Flat fee per application	\$1,250

10.6 To ensure the administration costs of recovering the fee are minimal, the fee would be payable on submission of the application, and would not be QNZPE. The final fee for each application type will be set after the NZFC has received and considered feedback on this discussion paper.

11. Other options

Actual costs

11.1 Instead of charging a flat fee, the NZFC could charge a fee that is calculated based on actual direct costs or actual direct and indirect costs. Cost reflective pricing is likely to provide applicants with the strongest incentives to use the NZFC’s assessment services at an efficient level.

11.2 The cost to the NZFC of administering an actual costs fee (based either on direct cost or direct cost with a contribution also to indirect costs) would be high. Under this model, applicants would also face considerable uncertainty in respect of the likely cost of an application.

The NZFC considers applicants being exposed to this level of uncertainty is impractical.

Fixed fees

11.3 Another option is for the NZFC to charge a fixed fee for each application, regardless of application type.

11.4 Charging a fixed fee would be simple and involve the lowest administration costs of all options set out in this paper.

11.5 Under this fee model, it is likely that charging a fixed fee would lead to cross-subsidisation of costs between applications of different kinds (with the usually simpler and lower-value New Zealand Provisional and Final Certificates subsidising the often more complex and higher-value International applications) has the potential to compromise the cultural aims of the NZSPG NZ, and may run counter to section 17(1)(b)(ii) of the Act, that NZFC “encourage and promote the efficient use of available resources within the New Zealand film industry”.



12. Review Process

Frequency

- 12.1 As these fees are intended to recover a portion of specific costs, the NZFC will regularly review application fees to ensure they remain appropriate and that the assumptions on which fees are based remain valid and relevant. Timing for each fees review will depend on changes in costs and demand, but will in any case take place every **three years**.
- 12.2 It is likely that the NZFC will conduct a simple review every year and a more comprehensive review at the end of each three-year period.



Schedule 1 - Costs

NZSPG COSTS - Summary from 2015-16

46 applications received

16 x NZ, Provisional applications

13 x NZ, Final applications

17 x International, Final applications

PANEL MEETINGS

14 Panel meetings held

2 hours in duration each (approx.)

2 x Industry Panellists per mtg = \$500 per Panel meeting (approx.)

NB: Consultant's costs for participation in Panel meetings is captured in their final invoices for individual project.

Actual cost over 14 Panel meetings for Industry Panellists = **\$8,625**

NEW ZEALAND, PROVISIONAL APPLICATIONS

16 x NZ, Provisional applications were received by the NZFC.

Of this total, one application was withdrawn by the Applicant before going to the Panel, due to financing/casting issues (but was assessed by a Consultant prior to this).

Consultants costs per NZ, Provisional application

Average cost per application	\$1,756	14 hours
Low	\$1,125	9 hours
High	\$2,812	22.5 hours
Total over 2015-16	\$21,067	

NEW ZEALAND, FINAL APPLICATIONS

13 x NZ, Final applications were received by the NZFC.

Consultants costs per NZ, Final application

Average cost per application	\$3,578	28.6 hours
Low	\$1,691	13.5 hours
High	\$7,187	57.5 hours
Total over 2015-16	\$42,937	

INTERNATIONAL, FINAL APPLICATIONS

17 x International, Final applications were assessed by the Panel (16 x productions). This total of 17 applications includes an Interim and Final application for one production.

Consultants costs per International, PDV Final

Average cost per application	\$1,255	10 hours
Low	\$625.00	5 hours
High	\$2,210.00	18 hours
Total PDV	\$8,784	

Consultants costs per International, Final

Average cost per application	\$4,491	36 hours
Low	\$2,719	22 hours
High	\$6,871	55 hours
Total International	\$44,907	
Total PDV & International	\$53,690	

Consultants and Auditor Forums Meeting held in Wellington on 3 November 2015 and 14 April 2016 - \$4322

Incentives Support Services

Contractors engaged primarily for NZSPG advice and support work, plus drafting of FAQs, changes to application forms, stock footage rates research, miscellaneous administration costs - **\$17,692**

OVERALL TOTAL = \$148,344 (approx.)

**Excludes NZFC staff salaries, flights & accommodation for Consultants to & from auditors and consultants forums, SEB Panel costs, and external legal costs.*

Schedule 2 – International Comparisons

INCENTIVES FEES

Fees listed below have been source from material published by each jurisdiction.

Australia

<http://www.screenaustralia.gov.au/funding-and-support/producer-offset/guidelines/provisional-certification/fees>

Fees for provisional certification – domestic grant administered by Screen Australia.

As at 1 July 2016, fees have recently increased between 5-7% (approx.) on previous charges set by Screen Australia.

Applications for provisional certificates lodged with Screen Australia on or after 1 July 2010 are require to pay a processing fee, based on the estimated budget of the film.

The current fees as of 1 July 2016 (GST inclusive) are:

- \$124.00 – if budget total is less than \$1m
- \$621.00 – if budget total is \$1m to less than \$5m
- \$1,242.00 – if budget total is \$5m to less than \$15m
- \$2,485.00 – if budget total is \$15m to less than \$30m
- \$4,348.00 – if budget total is \$30m or more
- \$220.00 – Reconsideration fee

Fees must be paid by EFT before sending in an application to the Producer Offset and Co-Production Unit.

Canada – Federal

www.pch.gc.ca/eng/1289829210951

http://canada.pch.gc.ca/DAMAssetPub/DAM-PCH2-Arts-FilmVideo/STAGING/texte-text/cptcGuide_1455637343203_eng.pdf

Canadian Film or Video Production Tax Credit

0.15% of eligible production costs for a Part A application or Part B application, or 0.30% of the eligible cost of production for a combined production (minimum fee \$200)

Canadian Film or Video Production Services Tax Credit

\$5,000 with rebate available if aggregate credit related to a production is under \$25,000.

Minimum fee after rebate \$1,000.

Canada – British Columbia: Fee schedule Film Incentive British Columbia (FIBC)

(Domestic grant)

http://www.creativebc.com/database/files/library/FIBC_Fee_Schedule_to_print_pink_Purple.pdf

A non-refundable administration fee will be charged for each document requested for the Film Incentive BC (“FIBC”) program. The administration fees partially offset the operating costs of the FIBC program.

Please ensure that administration fees submitted are in accordance with the following

schedule. A cheque or money order (including GST) must accompany each application and be made payable to **CREATIVE BC**. Full payment must be received prior to the processing of your applications to the FIBC program.

	ADMINISTRATION FEE
<p>Eligibility Certificate</p> <p>Administration fee required for each application for an eligibility certificate.</p>	\$200 (+ GST)
<p>Interim Letter</p> <p>The interim letter is not a requirement for the FIBC program, but may be issued upon request for the purpose of interim financing;</p> <p>Administration fee required for each interim letter requested.</p>	\$200 (+ GST)
<p>Completion Certificate</p> <p>For interprovincial co-productions, the administration fee will be calculated on the BC portion of the final production costs only, and for international treaty co-productions it will be calculated on the Canadian portion; and</p> <p>Please enclose a sheet calculating the amount of the fee submitted with the cheque or money order.</p>	<p>0.06% of Final Production Costs</p> <p>(minimum of \$200 per production) (+ GST)</p>
<p>Amendments to Certificates</p> <p>An administration fee will be charged for each requested amendment to previously issued certificates.</p>	\$200 (+ GST)

Canada – British Columbia: Fee schedule PSTC (Production Services Tax Credit) (Domestic or international)

http://www.creativebc.com/database/files/library/PSTC_Fee_Schedule_to_print_bluePurple.pdf

A non-refundable administration fee will be charged for each accreditation certificate requested for the Production Services Tax Credit (PSTC) program. The administration fees partially offset the operating costs of the PSTC program.

A cheque or money order for the full administration fee amount (\$5,500 plus GST) made payable to CREATIVE BC must accompany each application. Full payment must be received prior to the processing of your application to the PSTC program. The applicant may be

eligible for a rebate of the administration fee based on the Notice of Assessment in respect of the particular production.

ATE TAX CREDIT	ADMINISTRATION FEE	REBATE
Greater than \$25,000	\$5,500 + GST	\$0
\$20,001 - \$25,000	\$4,500 + GST	\$1,000
\$15,001 - \$20,000	\$3,500 + GST	\$2,000
\$10,001 - \$15,000	\$2,500 + GST	\$3,000
\$0 - \$10,000	\$1,500 + GST	\$4,000
Amendment to a certificate	\$200 + GST	N/A

Canada – Ontario

http://www.omdc.on.ca/film_and_tv/tax_credits/OFTTC.htm

http://www.omdc.on.ca/Assets/Tax+Credits/English/OFTTC/OFTTC+Guidelines_en.pdf


Ontario film and Television Tax Credit

OFTTC Administration Fees

- A non-refundable administration fee is charged with respect to each OFTTC application submitted to the Ontario Media Development Corporation (OMDC) and is used to offset operating costs of the OFTTC program.
- The amount of the administration fee is 0.06% of the total production budget to which the application relates. The minimum total administration fee is \$100 and the maximum total administration fee is \$5,000 per application. Please note that the administration fee is based on the Ontario side of the production budget in the case of co-productions.
- For example, if the total locked production budget is \$5,725,000, the administration fee is \$3,435.00 (5,725,000 x 0.06%).
- The administration fee is payable by cheque or money order made payable to the Ontario Media Development Corporation at the time the OFTTC application is submitted to the OMDC. Please note that the administration fee is required in order for the application to receive an Eligibility Review

Canada – Nova Scotia Film and Television Production Incentive Fund

<https://www.novascotiabusiness.com/do-business/film-television-production/nova-scotia-film-television-production-incentive-fund>



<https://www.novascotiabusiness.com/sites/default/files/Guidelines-Nova-Scotia-Film-Fund.pdf>

0.5% of Nova Scotia expenditure (maximum \$5,000 per application, \$250 upfront)

Canada – Quebec

<http://www.sodec.gouv.qc.ca/foreign-visitors/>

<http://www.sodec.gouv.qc.ca/wp-content/uploads/2017/01/production-service-anglaimarch-2016.pdf>

Administration Fees

The following fees are payable upon submission of application and cheques are to be made payable to SODEC.

Approval certificate

- Flat fee: \$500

In addition to the base fee:

- A non-refundable \$50 fee is payable for each eligibility assessment application
- A \$25 fee is payable for each additional copy of an issued attestation.

Advance Ruling

The administrative fees are calculated as follows:

- \$4.00 per \$1,000 of total Quebec expenditures for the first \$1,500,000 - Plus
- \$3.00 per \$1,000 of total Quebec expenditures exceeding \$1,500,000

The minimum and maximum fees are respectively \$1,000 and \$25,000.

For a tax credit which is estimated at \$10,000 and less, there will be a \$500 refund during the emission of the advance ruling.

In addition to the base fee:

- a \$25 fee is payable for each additional copy of an issued attestation;
- a \$300 fee is payable for the issuance of an amended attestation.

Czech Republic

<http://www.filmcommission.cz/en>

<http://www.filmcommission.cz/en/incentives/how-to-apply/>

Application fee is CZK 30,000 (USD 1.275 / Eur 1.111).

Fiji

www.film-fiji.com

<http://film-fiji.com/wp-content/uploads/2015/08/Application-for-Final-Certificate-Film-Tax-Rebate.pdf>

Application fee \$230 for final certificate.