

Kick-start

NZ On Air International Marketing Fund Guidelines and Back Catalogue Revaluation Mechanisms

Background

At its December meeting last year, the Board of NZ On Air approved a new approach to the making and marketing of funded television projects.

As part of this new approach, NZ On Air has since developed guidelines and criteria for the establishment of an international marketing fund to assist producers with the promotion, marketing and sale of their projects. This fund will provide loans for the re-editing/reformatting of completed programmes in the event of a sale and for a limited number of travel loans to allow producers to promote or sell NZ On Air funded proposals or programmes.

NZ On Air has also developed a mechanism that would revalue the back catalogue of NZ On Air-funded programmes.

The new schemes, with the guidelines and criteria set out below, took effect on 1 July 2002.

International Marketing Fund Guidelines (revised)

Introduction

The International Marketing Fund exists to assist producers/production companies to sell, market or promote their programmes or programme proposals and to assist producers to gain experience in these areas.

This new fund should be considered, together with the introduction (introduced on January 1, 2002) of New Zealand On Air's negotiable equity position on projects, as part of a package of measures designed to improve returns to New Zealand equity partners, including producers and NZ On Air.

The purpose of the International Marketing Fund will be to allow loans for the re-editing or reformatting of certain NZ On Air funded programmes for overseas sale and/or distribution.

The fund will also allow for a limited number of travel loans to assist producers to attend markets or events that could allow for the promotion, marketing or sale of their programmes or programme proposals. The fund will operate under the following broad criteria:

- 1 The fund is operative from 1 July 2002
- 2 The total value of the fund will be \$150,000 in each financial year

3 It will run for a trial period of 3 years.

Guidelines for reformatting/re-editing Loans.

4 Individual loans will not exceed \$10,000 (excluding GST)

5 Loans will be assessed on a first-come-first-served basis.

6 No limit will apply to the size of companies able to access these loans but the number of full-time staff the company employs will be one of the criteria used by NZ On Air staff when assessing loan applications.

7 Loans will be made available for projects where producers have not renegotiated their equity position up front.

8 Loans will be granted on letters of "intent-to-buy", which specify delivery requirements that necessitate the loan.

9 Applicants will need to show that all necessary rights and clearances can be obtained.

10 A detailed budget will need to be supplied, detailing reformatting/re-editing costs.

- These reformatting/re-editing budgets will require a contingency
- PCO fees will not be payable on reformatting/re-editing budgets
- Producer fees may be included, but should be specified in the application and if necessary negotiated with NZ On Air staff. Producer fees can then be recouped *pari passu* with NZ On Air

11 Alternative Funding Options: The producer will need to specify if they have considered other funding options including:

- any unspent NZ On Air funds in the production budget
- the purchaser paying for the re-editing and re-formatting (or those costs being off-set against the agreed sale price)
- commercial sponsorship
- other investors (including the producer)

(this section should include reasons why alternative sources of funds are not available.)

12 Upon completion of a successful sale the NZ On Air loan amount will be first out (net of distribution expenses) on any sales made. Producers will need to show in their applications that they have secured the agreement of the relevant broadcaster for this to happen.

Guidelines for International Travel Loans

- 13 Limited recourse loans will be paid to producers to assist their travel to markets and events that will enable them to promote or sell their projects and gain experience in the areas of international sales, marketing and promotion.
- 14 Loans will be paid up to \$3000 (excluding GST) each, with a maximum of 10 loans available per year. Loans will be decided at publicised rounds in February and August.
- 15 The deadline of these rounds will be **5.00pm Friday 16 August 2002** and **5.00pm Friday 21 February 2003**. No late applications will be considered and no correspondence will be entered into.
- 16 The names of successful applicants will be published.
- 17 The producer must match the loan at least dollar for dollar.
- 18 A producer or production company will be eligible for a maximum of 4 loans, (and no more than *[one]* *[two]* loans per year.)
- 19 Loans will only be paid to producers travelling with projects that have secured NZ On Air development or production funding.
- 20 A producer wishing to apply for a travel loan will need to specify or provide:
 - The programme(s) or proposal(s) to be offered
 - The location(s) to be visited
 - Length of stay/proposed itinerary
 - Details of appointments sought and those confirmed
 - Producer/production company investment in the trip
 - A report to NZ On Air, on return, detailing the outcomes of the trip and what sales are confirmed or expected
- 21 In the event of a sale of any of the projects being represented, NZ On Air will have the discretion to require repayment of the grant by way of NZ On Air being in a first out position to the value of the loan. Once again the producer will need to demonstrate that they have secured the agreement of the relevant broadcaster, to this condition.

<h3>Back Catalogue Revaluation Mechanism</h3>
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The following approach will be used from 1 July 2002 for dealing with the revaluation of back catalogue programmes:

- 1 The description "back catalogue" will apply to all projects from a point one year after their delivery date and which were contracted prior to 1 January 2002 (ie before producers had the opportunity to negotiate on equity shares

under NZ On Air's revised policy).

- 2 The new arrangement for qualifying projects will see the income sharing positions revised to a straight 50/50 split between the producer and NZ On Air. This split applies only to NZ On Air's share of income. In most cases this will mean the producer will receive an additional 30% of NZ On Air's income share. The producer will also continue to receive a portion of the broadcaster's share of income, where applicable.
- 3 The 50/50 split will apply until NZ On Air has received back 40% of its total contribution to the programme.
- 4 Thereafter, the arrangements will revert to those set out in NZ On Air's original funding agreement. Note that subsequent stages of the recoupment schedule will proceed as per the contract. This means, for example, that at the profit stage of the recoupment schedule, NZ On Air will not actually be in profit as a result of giving an increased share of revenue to the producer.
 - Application forms for loans will be posted on the website in the Television section.
 - Blanket changes to NZ On Air's contracts (back catalogue) will be achieved through a notice in the next Newsletter.