



THE PRODUCER OFFSET: A FACT SHEET

There has been a lot of debate recently about the Producer Offset for Australian films and how to attract overseas productions to Australia.

The Producer Offset is part of a menu of subsidies that the Alliance and our industry partners have fought for. These include the Producer Offset for Australian films and the 15 per cent Location Offset for offshore productions as well as 100 per cent payroll tax exemptions offered by some state governments.

What is the Producer Offset?

Starting this financial year, Australian feature films can receive an offset of 40 per cent of their eligible Australian costs on completion. Other eligible programs can receive 20 per cent. This was announced by the Federal Government in the 2007 budget, following a great deal of lobbying from the Media, Entertainment & Arts Alliance and our industry partners. As the Government said then, it was designed to promote "Australian stories that showcase our culture to the world."

Financially, the Producer Offset is about acknowledging risk: as we all know, it is a riskier proposition to invest in a film about Australia. If the offset is available to non-Australian films the competitive advantage of Australian producers seeking funding for Australian film in the international marketplace is lost.

In our lobbying, the Alliance and our industry partners had to bear in mind the experience with 10BA during the '80s: a generous initial provision was abolished because it started to cost the government too much. We don't want to fall into the same trap with the Producer Offset.

Who decides if a film qualifies for the offset?

Decisions on which productions receive the Producer Offset are made by the Film Finance Corporation (FFC) and in accordance with the legislation. The Alliance plays no role in the decision making.

What is the basis for determining if a film is "Australian" enough for the Producer Offset?

The FFC guidelines state that when deciding whether to grant the offset the FFC must have regard to the following:

- the subject matter of the film
- the place where the film was made
- the nationalities and places of residence of the persons who took part in the making of the film (including producers, directors, authors, scriptwriters, composers, actors, editors, directors of photography, production designers and other film technicians)
- the details of production expenditure incurred in respect of the film
- any other matters that the Film Authority considers to be relevant.

When the guidelines were released, the Alliance argued that they lacked clarity and could cause confusion. That prediction has been borne out by the *Justice League* decision.

Why did the FFC decide *Justice League* is not "Australian"?

As it is a tax matter, the FFC does not publicly release reasons for its decision. Given these criteria, it is likely the FFC decided *Justice League* was not an Australian film because:

- the subject matter of the film is not "Australian"
- the authors and scriptwriters and the underlying work (the DC Comics) are not "Australian"
- one of the main producers is not Australian

It would appear that, in their view, this was enough for the film not to qualify for the rebate. Alliance lawyers advise that, under the law, the FFC could not make any other decision.

Will this decision affect other productions?

Each production stands alone. There are a number of other Kennedy-Miller productions in the pipe line including sequels to *Happy Feet* and *Mad Max*. These would appear more likely to meet the Australian test and attract the offset, although that will depend on the final structure considered by the FFC.

What is the Producer Offset worth?

A significant number of Australian productions have already been approved under the offset. When the government set up the Producer Offset – after a great deal of lobbying from The Alliance – it set aside \$270 million over three years.

What good is the Offset if you only get it after the film has been made?

The Offset is a significant contribution to the final costs of the film. But it is no help with the cash flow to pay the bills (including salary of cast and crew). That's why the Alliance has been working with industry superannuation funds to set up a \$200 million fund to lend film makers the money before the film is made.

What is the Location Offset?

The 15 per cent Location Offset is designed to attract footloose films like *Justice League* to Australia. The Alliance successfully campaigned for the Location Offset to be increased from 12.5 per cent to 15 per cent in 2006. There are a number of productions underway in Australia at the moment which will qualify for the Location Offset, including *Wolverine* and *The Pacific*.

This 15 per cent offset is the same as the New Zealand government offset and is similar to other international subsidies. Unfortunately, an Australian dollar at 90 US cents makes Australia almost twice as expensive as when the Australian dollar was at 48 US cents. So we need to be always thinking of new ways to attract offshore films

What is the union doing to win more work for Australia?

The Alliance supports *Justice League* being given the internationally competitive 15 per cent Location Offset. We have also asked the NSW Government to increase tax incentives for this and other footloose films, including the 100 exemption of the 6 per cent payroll tax.

The Alliance wants more jobs for members in the film industry. That is why we are campaigning for better incentives. It's important that the Australian film industry grow by 50 per cent over the next three years, a figure we think is sustainable and will create job opportunities for crew.

Should you have any questions please contact Claire Montgomery, lead organiser, on 02 9333 0953 or claire.montgomery@alliance.org.au

For further information:

Aus film fact sheet at:

http://www.ausfilm.com.au/file_banks/ausfilm/misc_pdf/Ausfilm_Incentives%20Factsheet_V8.pdf

or Film Finance Corporation fact sheet at:

http://www.ffc.gov.au/producer_offset/