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TWENTIETH CENTURY FOX
A UNIT OF TWENTIETH CENTURY FOX FILM CORPORATION

Joseph Hartwick
President
Feature Production

July 6, 2006

Peter Young
General Manager
Film and Digital Content
Department of Communications,
Information Technology and the Arts
GPO Box 2154
CANBERRA ACT 2601
Via Email offset.review@dcita.gov.au

Dear Mr. Young:

Twentieth Century Fox Film Corporation ("Fox") is a key supporter of the Australian film industry and welcomes the opportunity to participate in the review of the Australian Government's Refundable Tax Offset program ("Offset").

Fox has distributed the films of a number of Australian directors including most recent films from Baz Luhrmann with "Moulin Rouge", Alex Proyas with "I, Robot" and Peter Weir with "Master and Commander". Production on Baz's next film for Fox is scheduled to commence later this year.

Fox is also funding the operations of Hugh Jackman's production company, Seed Productions which will be based at Fox's affiliate company's facility, Fox Studios Australia.

George Lucas' Star Wars Episodes 2 and 3 were shot at Fox Studios Australia and are distributed by Fox.

Fox Searchlight has co-funded a number of films from Australian film makers with the Australian Film Finance Corporation, including "Paradise Road", "Oscar and Lucinda", "Bootmen", "Soft Fruit" and "Garage Days".

"Aquamarine" a Fox 2000 film, recently shot in Queensland and undertook its post production in New South Wales. That production will be seeking to claim the Refundable Tax Offset. The financial incentive of the Offset was crucial to the decision to film the production in Australia.

There are a number of productions in the AU\$15 million to AU\$50 million range which could be considered for Australia but the 70% test makes it impossible to consider Australia. It is difficult to meet the 70% test for a number of reasons which may include:

- (a) it is not always feasible to complete post production in Australia, particularly when the director and editor have already spend a considerable time in Australia during preproduction and principal photography;
- (b) development expenditure may be high;
- (c) locations may be split with another country for creative reasons; or
- (d) as visual effects or post packages may be finalized with American houses before the shoot location is determined.

Fox has another film which actually includes Sydney in the script but as it will not make the minimum spend of AU\$15 million or meet the 70% threshold it is unlikely to shoot here as without the Offset as a financial incentive, Australia is simply too expensive.

As with all distributors, Fox is extremely cost conscious and keenly follows developments in international and domestic incentives.

Fox supports the key recommendations for reform as outlined in the submission of Fox Studios Australia – ie.

1. Increasing the rebate to an internationally competitive level;
2. removing the 70% spend test; and
3. if the first production has qualifying Australian spend of at least AU\$50 million then any Fox production (including its television divisions) can claim the Offset without the need to spend a minimum of AU\$15 million as qualifying spend provided principal photography of the second production is completed within 2 years of the first production

Fox admires the quality of Australian crews, performers and film makers and looks forward to working with the Australian government with a revitalized and competitive incentive package.

Sincerely,

A handwritten signature in blue ink, appearing to be 'G. Hancock', with a long, sweeping horizontal line extending to the right.