



10 August 2006

Mr Peter Young  
General Manager  
Film and Digital Content  
Department of Communications,  
Information Technology and the Arts  
GPO Box 2154  
CANBERRA ACT 2601

**Also by email: [filmreview2006@dcita.gov.au](mailto:filmreview2006@dcita.gov.au)**

Dear Sir,

### **SUBMISSION – REVIEW OF AUSTRALIAN GOVERNMENT FILM FUNDING SUPPORT**

Australian Independent Distributors' Association Incorporated ("AIDA") is a not-for-profit association representing independent film distributors in Australia, being film distributors who are not owned or controlled by a major Australian film exhibitor or a major U.S. film studio or a non-Australian person. Collectively, AIDA's members are responsible for releasing to the Australian public approximately 75% of Australian feature films which are produced with direct and/or indirect assistance from the Australian Government (excluding those films that receive the Refundable Film Tax Offset).

The distributor is responsible for bringing Australian films before the Australian public. This includes the supply (and funding) of film prints to exhibitors and the promotion and advertising of those films (and funding same) to the public through many media including television, newspapers and on-line. This "print and advertising" or "P & A" expenditure undertaken by the distributor is often not fully recouped by the distributor from the moneys that it receives from the distribution of the film in Australia and consequently, distributors may become conservative in their decisions as to the amount that they are prepared to commit to P & A expenditure for Australian films. The unfortunate consequence of this is that the resources available to bring Australian films to the attention of the Australian viewing public are often less than optimal and this can have a direct adverse impact on the box office performance (and subsequent exploitation in Australia and overseas) of the film.

At present, virtually all of the direct and indirect Government assistance to the Australian film industry is focussed on the production and, to a lesser extent, the development stages, of feature films and it is AIDA's submission that the review should also be focussing on incentives to more effectively and profitably deliver those films to the Australian public - that is, the distribution stage.

Whilst not wishing to limit in any way the range of incentives that the Government may consider for the distribution sector of the Australian film industry, AIDA believes that the P & A expenditure rebate scheme briefly outlined below would deliver real and tangible benefits to all participants in the industry through distributors being prepared to commit more funding to the task of bringing Australian films to the attention of the Australian public in an increasingly competitive environment. The additional expenditure would be reflected in a wider print release and/or greater expenditure on advertising for Australian films, thereby increasing the market-share of Australian films.

AIDA proposes the following P & A expenditure rebate scheme for Australian films:

1. the scheme should apply only to “qualifying” Australian films (determined by the criteria applicable after the current review is completed and approved recommendations are implemented);
2. the “permitted” P & A expenditure on the film should be capped at [one-third] of the greater of:
  - (a) the final cost of producing the film (including participant and investor deferrals); and
  - (b) the Australian gross box office for the film;
3. the rebate should apply automatically to verified P & A expenditure which meets the requirements in 1 and 2 above, but such expenditure should be subject to audit at the request of DCITA;
4. the distributor (or producer, see 5 below) should be entitled to submit the claim for the rebate (with applicable supporting information and evidence) at any time after the earlier of the following:
  - (a) 3 months from the first theatrical release of the film in Australia; and
  - (b) the conclusion of the theatrical release of the film in Australia;
5. if considered appropriate to ensure that the rebate leads to greater P & A expenditure for Australian films than would otherwise be the case, distributors would agree to the producer being the party required to make the claim for the rebate, on the basis that the producer must promptly make the claim upon request by the distributor and that the rebate is paid direct to the distributor. This could involve the producer more in the marketing and distribution of the film and would encourage distributors to negotiate terms with producers to utilise the rebate in the most effective way (whilst guaranteeing a portion of the distributor’s risk).
6. the rebate should be calculated as follows:

<u>Permitted P &amp; A Expenditure (refer 2 above)</u>	<u>Minimum no. of prints</u>	<u>Rebate expressed as a % of permitted P &amp; A Expenditure</u>
\$1 - \$350,000	10	40%
\$350,001 – \$1,000,000	20	40% on first \$350,000 and 35% on next \$650,000
\$1,000,001 - \$1,500,000	40	40% on first \$350,000, 35% on next \$650,000, and 30% on next \$500,000

\$1,500,001 - \$2,000,000	50	40% on first \$350,000, 35% on next \$650,000, 30% on next \$500,000 and 25% on next \$500,000
\$2,000,001 - \$3,000,000	100	40% on first \$350,000, 35% on next \$650,000, 30% on next \$500,000, 25% on next \$500,000 and 15% on remaining \$1,000,000

No rebate would apply to any permitted P & A Expenditure in excess of \$3,000,000.

A further incentive for distributors to increase their financial commitment to the theatrical release of Australian films, which could operate alongside the rebate scheme as an alternative to that scheme (at the election of the distributor), would be an up-front P & A grant paid to the distributor prior to the theatrical release of the film (thereby alleviating cash flow constraints on the distributor), administered by the FFC, which would convert (in whole or part) to a loan once pre-determined levels of Australian gross box office receipts are achieved by the film. The amount of the grant could be linked to the cost of producing the film, but AIDA considers that the body administering the payment of the grant should have flexibility to pay in excess of any maximum determined by reference to production cost, on a film-by-film basis.

AIDA representatives would be very happy to further discuss this submission with you if desired.

Yours sincerely,

Troy Lum (sgd)

**TROY LUM - PRESIDENT**