



## **Submission No 31**

### **Australia's trade and investment relations under the Australia-New Zealand Closer Economic Relations Trade Agreement**

**Organisation:** Department of Communications, Information  
Technology and the Arts

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**Australian Government**  
**Department of Communications,  
Information Technology and the Arts**

our reference

Dr John Carter  
Secretary  
Trade Sub-Committee  
Joint Standing Committee on Foreign Affairs, Defence and Trade  
Parliament House  
CANBERRA ACT 2600

Dear Dr Carter

I refer to your letter of 24 August concerning the public hearing of the Joint Standing Committee on Foreign Affairs, Defence and Trade in relation to its review of the Australia-New Zealand Closer Economic Relations (CER) Trade Agreement, which was held on 7 August 2006. I apologise for the delay in responding.

The proof transcript of Hansard for the hearing is an accurate record of proceedings from my perspective and I have no corrections or comments to offer.

In the course of the hearing the Committee requested:

1. a straight dollar-value comparison of the Australian Refundable Film Tax Offset and the new Zealand large Budget screen Production Grant (LBSPG) in relation to films costing \$10 million, \$20 million and \$50 million; and
2. confirmation as to whether or not a film qualifying for the LBSPG is required to repay any part of the grant if the film makes sufficient profit.

The requested information is attached.

Should you or any member of the Committee require further information on these matters, please contact me on 02-62711607 or [Stephen.richards@dcita.gov.au](mailto:Stephen.richards@dcita.gov.au).

Yours sincerely

A handwritten signature in black ink, appearing to read 'S. Richards', written over a horizontal line.

Stephen Richards  
Manager  
Film Incentives and International Section  
3 October 2006

**Joint Standing Committee on Foreign Affairs, Defence and Trade - Review of the  
Australia-New Zealand Closer Economic Relations (CER) Trade Agreement  
Public Hearings – 7 August 2006**

**Response to Questions on Notice**

FADT 17 – I wonder if you would mind, for the benefit of the Committee, following up a straight dollar-value comparison for incentives for films costing \$10 million, \$20 million and \$50 million in terms of the amount of spend in this country and in New Zealand and where they come out. Is that possible?

Answer:

Factors influencing the location of large budget offshore films include:

- production costs - this can be affected by incentive schemes such as the Refundable Film Tax Offset (Australia) and the Large Budget Screen Production Grant (New Zealand);
- currency exchange rates;
- location requirements of production;
- previous experience shooting in certain locations;
- quality of crews;
- local work practices and pay rates; and
- personal preferences of key personnel (eg. directors and producers).

The exchange rates for 7 September 2006 were used in the compilation of the following tables, which were: US\$1=A\$1.306; US\$1 = NZ\$1.542.

**Australia - Refundable Film Tax Offset**

AUS\$	Value in US\$	Revenue Forgone Due to Offset at 12.5%
<b>\$10 m</b>	\$7.657m	N/A – offset only applies for at least \$15m qualifying Australian production expenditure
<b>\$15 m</b>	\$11.485m	A\$1.875m US\$1.436m
<b>\$20 m</b>	\$15.314m	A\$2.500m US\$1.914m
<b>\$50 m</b>	\$38.285m	A\$6.250m US\$4.786m

**New Zealand - Large Budget Screen Production Grant (LBSPG)**

NZ\$	Value in US\$	Revenue Forgone Due to LBSPG at 12.5%
<b>\$10 m</b>	\$6.485m	N/A – LBSPG only applies for at least \$15m qualifying New Zealand production expenditure
<b>\$15 m</b>	\$9.728m	NZ\$1.875m US\$1.216m
<b>\$20 m</b>	\$12.970m	NZ\$2.500m US\$1.621m
<b>\$50 m</b>	\$32.425m	NZ\$6.250m US\$4.053m

FADT 17 – But the grant is repayable. If the movie makes a sufficient profit, the grant is repayable. As I recall, that [the New Zealand grant] was repaid. It was for lower budget films. It was commercially successful. Anyway, Mr Richards, I would appreciate it if you could do that [confirm if the grant is repayable].

Answer:

The New Zealand Ministry of Economic Development, which administers the New Zealand Large Budget Screen Production Grant program, has advised that there is no requirement for a production company receiving the grant to repay any part of the grant.