

FLICs: what's in it?

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on first dollar returns. This would mean that an investor would be taxed on capital gains even though none had been made and any tax advantage for investment would be a tax deferral.

Tax losses cannot be transferred to or from a FLIC and the FLIC itself cannot make a claim for deductions on the expenditure of concessional capital.

The FLIC licenses are subject to a range of restrictions on foreign and individual ownership as well as to conditions about borrowing and

capital raising. In addition, each FLIC must provide the minister with a report every six months and the Commissioner of Taxation with a report every year.

The production industry sees two problems with the scheme as proposed. First, the concessional arrangements offered are the same as that for 10BA. Even the opportunity to invest in a slate of films is possible under 10BA. Thus there is virtually nothing new offered to investors, except the probability of much closer government scrutiny of their investment.

As a result, SPAA (the Screen Producers Association of Australia)

and other industry groups are highly sceptical that the FLIC scheme will be sufficiently attractive to investors.

Second, the legislative and administrative process of implementing FLICs means it is unlikely that the pilot will be running much before the middle of 1999, assuming that anyone wants to invest in it.

So, in a year when the government has reduced its direct outlays to production investment by \$15 million, it seems that there is not much hope that the FLIC scheme will attract sufficient private investment to compensate for the loss.

Nick Herd

From The Archives

Aussat eyes off Tasman and Pay TV

Three Aussat customers - the ABC, Bond Media and AAP - are positioned to provide Trans-Tasman services before Aussat's brand new satellites are up in the skies. Direct broadcast pay TV is also on the horizon.

On June 28, Aussat contracted to purchase two new satellites from the General Motors company, Hughes Communications International. The Aussat satellites should be in orbit by 1992-93 and are designed to satisfy both Australian and NZ broadcasting and communications companies.

The Hughes offer to manufacture and launch the spacecraft for the bargain-basement price of \$350 million has stunned critics and fired debate overseas. The clue to the price lies

with the People's Republic of China (PRC) which has offered to provide the launch at a price that undercuts its U.S. and European competition.

The different U.S. agencies are now engaged in a fierce debate on the way the Hughes deal will impact on technology transfer, trade and national security. Europe has also entered the fray through the Coordinating Committee for Export Control (COCOM) which must approve technology transfer to the PRC.

If Hughes is not allowed to use the PRC's Long March rockets, Aussat faces the prospect of borrowing another \$200 million for a western launch. Together with \$90 million Aussat must spend to upgrade its ground facilities, this could lift Aussat B's overall cost to a massive \$645 million.

Network tycoons create Australian clones

Australia's reliance on cheap U.S. product to fill TV schedules is underscored by a series of deals negotiated over the past six months. Virtually every program produced by the major U.S. studios and networks is promised to an Australian network.

The new TV tycoons have outlaid millions of dollars on exclusive contracts and partnerships with U.S. studios to guarantee a supply of drama product. Since early this year:

- Frank Lowy's Network 10 has struck an exclusive 10-year deal with MCA/Universal;
- Alan Bond's Network Nine has tied up Columbia Pictures and Warner Bros;
- Chris Skase's Network Seven has secured a three-year contract with MGM/UA.

Paramount appears to be the only studio without an exclusive agreement. The MCA International, B.V. and Network 10 agreement entitles MCA to acquire 10 per cent of Northern Star's capital at \$2.50 a share any time within five years. MCA and Northern Star also plan to explore joint TV productions with an "Australian content" for the international market. Network Nine's agreement with TriStar Pictures transferred to Columbia Pictures earlier this year. Details of the Warner Bros deal are not public. Bond Media also retains rights to the Thorn EMI Screen Entertainment library of 2,000 titles.

Skase has signed a three-year agreement with MGM/UA for a reported sum of \$20 million a year.

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