

VERBATIM NOTES OF THE MEETING OF THE STANDING COMMITTEE ON PUBLIC ACCOUNTS HELD IN THE BIG COMMITTEE ROOM (WEST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS ON 6TH JUNE, 2018 AT 9.40 A.M.

Submittee/ Interviewee: Film Fiji

In Attendance:

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| 1. Mr. Dallas Foon | - | Chief Executive Officer |
| 2. Mr. Sakiusa Bolaira | - | Board Director |
| 3. Mr. Jone Tikoca | - | Accountant |
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DEPUTY CHAIRPERSON.- A very good morning to the officials from Film Fiji Limited. We are very apologetic for the wait, we were waiting for the Honourable Chairman but I guess he is engaged in some important work and has given his apologies. So in his capacity I am going to chair the submission for today. I would like to welcome the officials from Film Fiji. We are here to discuss the Audit Report of 2015 as per the Auditor-General's State-Owned Entities and Statutory Authorities Report which was tabled in the Parliament.

Joining me are my Committee members. We have Honourable O'Connor, the Assistant Minister for Health, Honourable Radrodro and Honourable Ratu Lalabalavu who are Members from the Opposition. On my left we have the Parliament Secretariat staff and on my far left we have the representative from the Office of the Auditor General. On this note, I also welcome the media as well.

I believe the main issues that we sent were in regards to assets noted with a zero down values so hopefully we are going to discuss the submission on that and I am sure there is a written submission provided and we will be hearing submissions on that. Without further ado, I would like to welcome the CEO, Director of the Board and your Accountant. I now would like to give you the opportunity if you can just very briefly introduce yourselves and then take us through the issues.

MR. D. FOON.- I would just like to introduce, to my right is Sakiusa Bolaira, he is a Board Director of Film Fiji and to my left is Jone Tikoca, he is the Accountant for Film Fiji and my name is Dallas Foon and I am the Chief Executive Officer for Film Fiji.

Just to reiterate the response we gave to advice the Committee on whether policies relating to Property Plant and Equipment have been reviewed to ensure compliance with relevant legislation and accounting standards after the audit report. I note that office equipment used by Film Fiji at the time of audit of the 2015 accounts had been fully depreciated and had zero written down value in our Fixed Asset Register. I wish to say that this issue has been resolved. We have written off all those items. Those were very old pieces of furniture and a lot of unserviceable equipment that were still in the office. That is all being disposed of now.

In terms of our policies, they are all up to-date and current with the latest accounting standards. Our Accountant attends the regular Accounting Congresses throughout Fiji

regularly so he makes sure that all our policies are up to-date. Right now our policies are currently up to-date.

DEPUTY CHAIRPERSON.- I believe that is a very straight forward answer and Sir, you would not mind if we asked some important questions about the organisation itself. Has the income generation for the organisation been increasing and the opportunities that the organisation has in terms of people coming here and wanting to do filming? Has that market also increased for Fiji?

MR. D. FOON.- Yes Sir, we are happy to advise that in terms of number of productions in 2015, there were 42 foreign productions that visited us. These are everything from small television shows, documentaries all the way through to big large television series and feature films. In 2016, this figure increased to 57 foreign productions and in 2017 which was the record year for the country as there were 74 foreign productions that visited our shores. So in terms of Film Fiji's activity in the international market to attract film makers this country, I am happy to advise that that interest from film makers has been growing every year and this year is just as busy as last year in terms of the productions that have been visiting us. In terms of the revenue generated by Film Fiji, we are a statutory body, we regulate and facilitate the productions that come to Fiji. So, we do not have a revenue stream other than the fees we charge for the applications that they make for productions. Right now our gazetted application fees are minimal; it is about \$200 to \$300 per application. For final application, the production companies apply for the film tax rebate. If they apply for just the permit, the permit is free at the moment, there is no charge.

HON. A.D. O'CONNOR.- Mr. Deputy Chairperson, Dallas there is a fairly big one that is currently sitting in Savusavu. They have been there for a good three months already, I think. How long would that go out for if you do not mind me asking and where are they originally from?

MR. D. FOON.- There is a large Australian production in Savusavu and I am not permitted to identify it at this point in time because we have signed a confidentiality agreement but I am happy to say it is a large Australian TV Series from one of the biggest production houses in Australia; Endemol Shine. They are in Savusavu and they have been there since about early April. In preparation, they just started shoot a few weeks ago in late April early May and will finish shoot this month and then they will have a wrap period which will go for about six weeks after that. So, by about July they will leave, they have about 160 foreign crew and they have employed over two hundred locals in various job from time to time.

HON. A.D. O'CONNOR.- I must say the employment level has escalated particularly a lot of the villages and local communities, in particular the Rabi community, the Kia community, along the Hibiscus Highway. Employment has increased dramatically, and there are things like being watchman and drivers, et cetera. So, it has helped the community, and thanks to that.

MR. D. FOON.- Thank you and that is correct. The production is based at the Koro Sun Complex and beyond the Koro Sun along the Hibiscus Highway and that is where they are shooting in that strip of land.

HON. RATU N.T. LALABALAVU.- Mr. Deputy Chairperson, Sir, being a landowner that is so affected by this production in Savusavu and on your facilitation of the production of whatever it is going to be shot in Fiji, et cetera whether it is a movie or a documentary that they are part of, what sort of level does the unit play in terms of helping the resource owners? How best can they be guided in negotiating with the groups that you have approved to be shooting especially the ones in Savusavu now (Vunilagi)? All of a sudden the Provincial Office comes to us, Mr. Deputy Chairperson and they say, “if you allowed these people to come, it is \$20,000” but is that fair? As part of your facilitation process, do you go down to that level and help resource owners? Otherwise we do not know, we might be short change or whatever, we really do not know. That is not the only one that has been undertaken there, there are others in Taveuni as well. But for this one here it is a big one and people from the Island of Taveuni are working out there in Vunilagi et cetera. It is a source of employment and all we want is to be part of it. How best can you facilitate this?

MR. D. FOON.- Mr. Deputy Chairperson, the facilitation from Film Fiji is to ensure that the production goes through the proper channels for access to the location especially with if it is on native land. One of the conditions of approvals that we provide to the production is that they must comply with the laws of Fiji and in particular for location services to comply with the native land requirements – iTLTB and Ministry of *iTaukei* Affairs.

We have licenced audio visual agents. There are agents in Fiji that are licenced, private commercial individuals who are well versed with the regulatory requirements and go out and assist the productions in location scouting and securing the location for shoot. Once that is done then they follow the procedure of going through the Provincial Office and through the iTLTB of informing them of where they desire to film and for what period of time.

When we get the information of locations they choose, we look at it. In terms of the commercial negotiation, that is between the production company, iTLTB and the landowners to undertake. However, we try to make sure that the rates are fair, they are not unfair to either party. All around the world production have certain rates that the larger productions can afford a bit more and they can afford to stay in a location longer. If someone is coming to an undeveloped piece of land and only going to shoot for one or two days, then obviously the rate will not be thousands and thousands of dollars because that is not going to make anything viable for production. So, we just make sure there is reasonableness in the rate from both sides so that we do not want to short change anyone but we also want to be fair to both parties. So, they both walk away with a commercial deal that is reasonable and workable for both parties.

The rates vary depending on where they are and how long they are. They stay there. So, I cannot really quote a set rate for productions.

HON. RATU N.T. LALABALAVU.- Deputy Chairperson, through you, thank you for the reply given. Again for your information, Sir, it seems that it all has been a kind of a flat rate being paid. The one that was shot in Taveuni, people came running to me asking if what was offered was fair. They were shooting a movie. The beauty of that area is just something by itself, beyond explanation. But again \$20,000 has been the figure that has been adopted all the time. That is from Taveuni and now it is out in Vunilagi, Savusavu where they received \$20,000, is that fair? Who decides that?

MR. S. BOLAIRA.- Thank you, Honourable Member for that response and query. You are touching on the very nerve that the Board is actually looking at. One important thing that we have discovered is there is no standard fee structure. Most of the native owners are coming with all different calculations. We have no standard industry fee framework that we can actually use if someone is using the beach - these are the fees and the location. That is common throughout the world. What we are doing at the moment is we are signing an MOU with the Ministry of *iTaukei* Affairs to work with TLTB as well and to try and come up with a standard structure.

We are also receiving a lot of complaints. If there are some issues raised by certain individuals and then it is our duty to the native owners and they come up with a certain figure that is quite exorbitant. So, there are inconsistencies in the application of the fee structure for sites but rest assured, we can assure the Committee that we are now standardising the fee structure so we have equal distribution of wealth going to the grassroots. Yes, that is a grey area for us, Honourable Member and that is something that the Film Fiji Board is looking at and with that MOU comes the industry knowledge and we are able to put some kind of fee framework that we could use when processing applications coming through.

HON. A.M. RADRODRO.- Just a supplementary question to that in terms of the arrangement. What role does the Film Fiji play in terms of if there are disputes from the resource owners?

MR. D. FOON.- Mr. Deputy Chairman, we facilitate if there are any issues raised with Film Fiji. We facilitate it through the formal channels. It depends on what the issue is. If the issue is relating to the location, we have to engage with either the Ministry of *iTaukei* Affairs or iTLTB to help us go through and resolve the issues. On every issue we engage the correct authority because we are not an overall umbrella authority that has the mandate across the various regulatory bodies in Government. We just ensure that the right parties are involved so that the issue is resolved properly and through the proper legal channels as well, if necessary.

HON. A.M. RADRODRO.- On the production, you mentioned there is an increase from 42 to 74 currently. That is very good in terms of the number of productions that are done locally. What is the driving factor there in terms of the increase in production?

MR. D. FOON.- Thank you through you Deputy Chairperson. The productions have increased dramatically. A lot of these industries, word of mouth. Once Fiji starts building a good reputation, their productions have come here and had a great experience, had a beautiful location to shoot in, they tell everyone else. And from 2015 after the success of several American productions that were here, it opened the door for more American productions. In 2016 *Survivor US*, one of the largest TV shows in the world shot in Fiji and a lot more other people recognised the fact that a very large production is able to be hosted by our country, hosted successfully and all the facilitation provided by us works well.

So they referenced the *Survivor US* producers and asked them about Fiji and so they started making enquiries. Having said that, Film Fiji also has ramped up its promotion of the country from 2015 to now. We advertise extensively through trade. We attend various trade shows that happened around the world and also over time built a network of contacts and people we can talk to within all the various major studios in the US and India. So we are

always abreast with the projects that they have and we have the ability to pitch for the projects to come to Fiji, if it is a relevant project for a tropical location like us.

HON. A.M. RADRODRO.- Another supplementary question. In terms of your finances, since we do not have your financials in this report, what is your main source of income generation, is it Government grant or how do you operate?

MR. D. FOON.-Thank you through you Deputy Chairperson again. Our only source of income is through a grant by Government. Last year our grant was \$2.1 million and we used that to manage our operations, the marketing and promotion of Fiji, our development programmes and also to manage the film tax rebate that we manage for film incentives.

DEPUTY CHAIRPERSON.- Sir, since the format of the audit report has changed and only pertinent issues are discussed, I believe last year when we had the submission we note that more than \$100 million comes to the economy of Fiji because of the film industry or the incentives here. What could the figure likely be for 2017?

MR. D. FOON.- Thank you, Deputy Chairperson. In 2017 film productions spent about \$125 million directly into the Fiji economy. The budget value of all the 74 productions in 2017 was about \$308 million and that Fiji spent about \$125 million into the economy generated the new economic activity of about \$361 million. Sir, it was very, very good for us and a lot of it is driven by the productions that come in and show the beauty of the country plus the ability of our country to attract film makers to Fiji because of our very attractive incentives, the film tax rebate, in particular, at 47 percent is the best in the world. We have been marketing that a lot to the rest of the world so for film makers to come here and that is what has generated a lot of interest and shows that the success of our incentives.

HON. A.M. RADRODRO.- Because you have \$2.1 million for all your operational costs, no capital. Is that grant of \$2.1 million for your operational cost only?

MR. D. FOON.- Operational cost, promotional and development of the industry.

HON. A.M. RADRODRO.- In terms of incentives, what sort of tax incentives does Film Fiji give out to these production companies?

MR. D. FOON.- Thank you through you again Deputy Chairperson. There are four main incentives which Film Fiji manages on behalf of Government. The headline incentives is the film tax rebate which is 47 percent of qualifying spend is returned to the productions. The second incentive is the waiver of non-residential withholding tax, so if a foreign crew that come in and withholding tax is waived for payment of their salaries which is common around the world.

The third incentives is what is known as an “F1 and F2” incentives which is for local producers. So anyone who wants to invest in a local film can get anything between 125 to 150 percent tax refunds. The last incentive is a studio city zone and that is what we call “audio visual operators”. There are about five or six at the moment in the country. If they operate in a studio city zone their income is tax free but they have to operate and provide services for audio visual industry obviously from that zone.

DEPUTY CHAIRPERSON.- Honourable Members, I believe there are no more questions and I thank you Mr. Foon for all the supplementary answers. Thank you for your indulgence in allowing us to ask and you responding to the many important supplementary questions that the Committee Members put forward. On that note, I thank you and your team for taking out your time and for coming to the Committee and discussing with us the issues. With these words I request if you have any concluding remarks before we end the session, you may do so now. Thank you.

MR. D. FOON.- Thank you, Mr. Chairman. Film Fiji is very grateful to Government for all the support and assistance it provides to our industry. We have been told that our industry has grown dramatically and is now a significant contributor to the economy which we are very, very happy and proud of, especially that we have been able to bring a young new industry and make that into something that is contributing to employment for this country, to business and more importantly to the livelihood of the people who are directly employed or indirectly employed in that industry. Thank you.

The Committee adjourned at 10.08 a.m.