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Export Credit Arrangements
Productivity Commission
LB2 Collins Street East
MELBOURNE VIC 8003

Dear Sirs

I wish to express my deep concern with regard to the some recommendations put forward in the Draft Report on Australia's Export Credit Arrangements.

I act for numerous film and television producers on Australia and overseas. The introduction of the Producer Offset legislation in 2006 offered Australian producers a significant challenge in regard to cashflowing this tax credit payable on the completion of production. This initially led to loans at extremely onerous terms with demands on personal assets as security and/or very high interest rates from the very few lenders available. The main Australian banks do not lend on the Producer Offset. Australian lenders also were not interested in budgets lower than a certain level. The ones that went against the trend had small sums of money which only supported a few producers.

Producers resorted to procuring loans from foreign banks on equally foreign terms that did not sit comfortably with the protocols and processes of film and television production in Australia. It caused significant overages and numerous anecdotal instances of difficulty. Additionally, albeit requiring lower interest rates, foreign loans required expensive hedging in the unpredictability of currencies in recent times.

In short, it introduced the film and television producer into a realm of unfamiliar terrain which detracted from their core creative endeavours at costs that do not fit well within budgets that our local productions can carry. It was against this background that EFIC stepped into the market and offered respite and relief to many of my clients. It certainly did not "crowd out the private sector", as inferred on the Report.

As the executive producer on the \$11.2 million feature film "*Drift*", I can say that this film, starring Hollywood's number one action star, Sam Worthington, would not have been financed without EFIC's assistance. A private sector lender covered the Producer Offset related loans but only on the basis that EFIC cashflowed the distribution advance offered by TF1, France's premier film distribution company. Without EFIC's involvement this significant Australian export would never have been financed and this significantly Australian film would not be seen on screens and numerous other platforms around the world.

Unfortunately, the suggestion that EFIC take on a demonstration role is lame. Film financing is too small a sector for many players to become interested in. It does not interest the banking sector. Demonstrating otherwise to these players is futile for the fundamental reason that the level of budgets that Australian film and television are limited and this, in itself, seriously limits the interest of many lenders.

In my experience, EFIC loans are provided on sound pricing and risk management grounds. Its terms match those of non-bank lenders and it is protected by federal and state funding agencies that have been supporting the industry for a very significant time. The repayment of the EFIC offset loans are prioritized against all other lenders/investors and in the case of *Drift* was even above the non-bank lender in regard to repayment from the TF1 distribution advance, a position that would normally have been reserved to the non-bank lender. This illustrates the indispensable role that EFIC played in the financing of *Drift*, a major international export.

Whilst there may be lenders who will lend into the same market in some deals, EFIC adds invaluable competition generally. There can be absolutely no doubt that EFIC “fills a gap”. Without it, low budget films would risk not being funded. Likewise, higher budgets like *Drift* would also suffer the same fate because of the appetite of non-bank lenders who only lend against the Producer Offset.

The funding of Australian film and television has always been recognized as a way of achieving the broader objective of government in the “national interest”. EFIC can be proud of the role it is playing in enabling this objective.

A significant consideration for this particular industry is as follows. Film and television production are relatively low budget short term projects if one were to perhaps compare it to other projects that EFIC may be involved in. Many producers produce and export their productions several times a year. To limit repeat transactions in any way would be totally detrimental to a majority of my clients. I ask that this proposal be removed or at the very least, exempted with regard to the film and television industry.

Please let there be no doubt that EFIC operates to address market failures in financial markets that impede otherwise commercially viable export film and television transactions. It is integral to the production of films and television in Australia. It would be nothing short of a disaster if EFIC’s ability to support the film and television industry is limited in any way. In fact, EFIC’s excellent, reliable and professional service is a major factor in the successful collaboration in this arena should be expanded or, at the very least, left to continue to create the worldwide export of many Australian film and television productions.

Yours faithfully

Joan Peters