



20 March 2012

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

By email: [exportcredit@pc.gov.au](mailto:exportcredit@pc.gov.au)

**Re: Productivity Commission Draft Report on Australia's Export Credit Arrangements**

To whom it may concern

I would like to address the reforms proposed in the Draft Report regarding EFIC's Producer Offset loans.

There seems to be a misunderstanding of the operation of the Producer Offset. *Changes to the product scope*, under *10.2 Structural and operational reform of EFIC* notes:

*Some of EFIC's other products may not be suited to addressing the policy problem. For example, EFIC's Producer Offset loan brings forward payment of a government rebate for film production. To the extent that there is any inefficiency associated with accessing the Producer Offset scheme, it is best to address them through the effective design of that program, rather than through EFIC.*

The EFIC loans do not bring forward the payment of a government rebate. Like any tax rebate, the Producer Offset can only be claimed after the expenditure has been made, a final certificate issued and the company lodges a tax return with the ATO. This is not an inefficiency in the Producer Offset scheme, it is taxation law.

The EFIC loans enable the estimated eventual benefit of the offset to be cashflowed into the budget, so that production can proceed.

You note in the description of EFIC's Producer Offset loan, under *3.3 Comparison of products offered by EFIC and private providers*, that there are banks and other private finance providers offering finance to cashflow the Producer Offset - although I note that you refer to this as '*finance to recipients the Producer Offset loan*', and again reiterate that the Producer Offset is a tax rebate, not a loan.

As explained in my original submission of 24 November 2011, there are several banks and financial institutions providing offset loan facilities to production companies. However these lenders do not provide the small loans required for low-budget productions. The set-up and legal costs are too high and the projected returns too low to make these loans in any way attractive to banks and larger finance companies.



This clearly leaves a gap in the market, which EFIC has been able to fill. It is appropriate that EFIC provide cashflow loans for these productions because:

1. Without this support many of these productions would only be able to proceed if the producers are able to cashflow the offset utilising their own scarce resources, which often means mortgaging (the producer's own) bricks and mortar.
2. These smaller-scale projects, particularly the documentaries, have strong cultural impact and value in the international market, providing real benefit to Australia.

Australian feature films, television projects and documentaries continue to make their marks in the international marketplace, and projects in the lower budget range have found great support from EFIC to fill a gap in the finance market and so meet the demands of their international sales agents.

I would like to strongly reinforce Screen Australia's hope that EFIC can continue to provide this vital service to the Australian film and television industry and the international market that it services.

Yours faithfully

Ross Matthews  
Head of Production Investment