



20 March 2012

Export Credit Arrangements
Productivity Commission
LB2 Collins Street East
Melbourne VIC 8003
Email: exportcredit@pc.gov.au

Dear Commissioner

The Screen Producers Association of Australia is the peak industry body that represents the independent screen industry on all issues affecting the business and commercial aspects of screen production. SPAA members include television, feature film, animation, documentary, TV commercial and interactive media production companies as well as services and facilities providers such as post-production, finance, distribution and legal companies.

SPAA has recently reviewed the *Australia's Export Credit Arrangements - Draft Report* prepared by the Productivity Committee and would like to express our support for the continuation of the Export Finance and Insurance Corporation (EFIC) Producer Offset loan facility. A discontinuation or limitation of this fund would have a detrimental effect on exports of Australian film and television programs, particularly at the low and medium budget end.

The Producer Offset legislation was introduced in 2007 to encourage investment in Australian film, television and documentary programs and increase the productivity, output and growth of the screen industry. While the impact of this legislation has been overwhelmingly positive, the instability of international finance markets has held back the realisation of its full potential by markedly affecting costs on small to medium loans. This is where EFIC has made a vital contribution, providing loans for programs that would otherwise have had difficulty financing.

Producers use the Producer Offset as collateral and borrow funds against the Offset to meet the production costs and then repay the loan when the Producer Offset rebate has been received from the ATO.

As referred to in the Draft Report, there are banks and financial institutions that may support a production and have been able to in some instances. There are also some state government agencies that are able to loan finance depending on the location of the production. There is, though, a failure in the market for many of the low to medium budget productions in securing finance because:

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- the required size of the loan is too small (below \$500,000) to be of interest to commercial lending institutions;
- the producer does not have access to additional collateral (in addition to the Producer Offset Provisional Certificate) to secure the loan; or
- the production is unable to absorb the high financing costs.

The EFIC Producer Offset loan facility has provided a valuable avenue for films, television programs, and documentaries with secured international distribution agreements that the financial market has not been able to cater for. Several treaty co-productions with sales to foreign countries encountered prohibitive loan costs which had prevented financing until the producers were able to access EFIC's loan facility. EFIC has facilitated financing for low & medium budget productions such as the television series *Who Do You Think You Are*, the telemovie *Panic at Rock Island*, & the soon to be released feature film *Last Dance* and without the Producer Offset loan they could not have been made at the same quality or at all, regardless of their international distribution agreements.

EFIC's loan facility helps to maximise the intended benefit of the Producer Offset legislation at the same time as providing a guaranteed return back to the fund. The ability for Australian films, television programs and documentaries to continue to be produced for international markets depends on effective market place support through programs such as EFIC's Producer Offset loan facility.

Regards

Geoff Brown
Executive Director