

Film Production Capital: coming to Australia because we're mature and wonderful
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Will French, founder of tax credit finance outfit Film Production Capital, says that the company is coming to Australia because Australian producers are “more respectable and knowledgeable than their American counterparts”, “the Australian film industry is mature and stable, and the incentive program is one the the best I've encountered.” As a result, he is looking to invest \$US16-25 million in the first year.

He told Screen Hub that Adrian Ward of the National Bank of California had suggested he get involved, and two months later he was contacted by Film Finances Inc with the same suggestion. There is no connection with Omnilab. Interestingly, that was just a coincidence,” he said. “Until recently, despite having co-financed Dead of Night, I had not met anybody at Omnilab.”

French regards the Australian incentive package (Producer, PDV and Location Offsets) as superior to their US counterparts.

“I started working with tax incentive programs in the US back in 2003. At that time, there were only two or three programs in place. Today, 43 states have tax incentives for the film industry. Most of those have been enacted over the last 24 months. Often state legislation is enacted quickly and without much debate, either in response to the enactment of a competitive program by a neighbouring state, or in response to a popular movement within the film industry in that particular state.

“The resulting laws are often poorly written with lost of grey areas, and they tend to be poorly administered. In many cases, the film commissioner might have done only a small amount of location scouting the year before the program was enacted, and once the law is passed the same person may be expected to administer a program that pays out \$US100 million, or more, each year. Routinely laws will contradict themselves and the commissioner's advice and/or department policies will contradict the laws.

“Usually, film offices are charged with exponentially more work with such a program, but they are almost never allocated funds to hire more staff to keep up with the work, so they work at a snail's pace and are often resentful of the added work,” he said. “Some of them prefer not to see their programs used at all.”

“Now, look at Australia. The government has had some type of a program in place for years (I'm counting the original 10(B)(A) program). The law is comprehensive. The guidelines are thick and fairly clear. Grey areas are virtually non-existent. Loopholes, which often create room for abuse by producers, are closed. And you have an administration that has a good understanding of the film industry, the funding to effectively administer the program, and a desire to see it work.”

“But it's not just the state of the government. Australian producers themselves seem to be more respectable and knowledgeable about tax incentives than their American counterparts. I'm guessing this is related to the fact that the industry in Australia is smaller and there is more peer-to-peer contact and oversight”.

“From our perspective, the Australian program truly is a breath of fresh air.”

He also singled out the provisional certificate as a beneficial feature. “The fact that Screen Australia will give a provisional certificate which estimates the qualified spending [Qualified Australian Production Expenditure] and thus the Offset, is quite meaningful to an Offset Financier. In the States, this would be unheard of.”

“That is not to say that the Australian system is flawless. There are several things that I'd like to see changed,” he said. “Some of the provisions are silly and even counterproductive, like the fact that finance fees and bond costs don't qualify. Last I checked, it was hard to make a movie without financing, and in many cases, a completion bond.”

“In addition, the Location Offset rate is too low to be effective.”

Film Production Capital will look to finance both film and television deals, with the amount dependent on the Offset. “In the US, the amount that we lend is dependent upon the value of the Offset. The greater the value of the Offset in relation to the budget, the larger the percentage of the budget we can lend. In Michigan, which also has a 40% Offset, our deals generally net the producer about 22-25% of the budget before principal photography, sometimes more, sometimes less,” French said.

While Film Production Capital is looking for an Australian to “spearhead our operations”, they have yet to make an appointment. In the meantime, French said that he will handle the business personally. “I've been commuting quite a bit up to this stage...at some point, once that person has been identified, I'll probably relocate to Australia for an extended period to impart all my knowledge and experience. My wife, a former diplomat, loves the idea. Now I have to convince my three young children. A steady supply of boomerangs and fuzzy koala dolls seems to be helping to make the case so far.”

[Editor's note: Screen Australia did not receive additional funding to manage the Producers Offset, and at the 2009 Screen Producers Conference proposed introducing application fees to cover the additional costs].

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