

**House of Representatives Standing Committee on  
Communications, Information Technology and the Arts**

**Inquiry into the Future Opportunities for Australia's Film,  
Animation, Special Effects and Electronic Games Industries**

*This is a supplementary submission and Animal Logic is happy that it be made public.*

As a part of the Committee's consideration of mechanisms available to assist the industries achieve their commercial and cultural potential, it may consider the Government's pilot FLIC Scheme as a source of ideas and policy initiatives.

There are many characteristics of the FLIC Scheme that warrant attention. However, at this time I would like to focus on one: foreign capital raising.

The FLIC Scheme rules limited foreign shareholder capital to less than 33%. Due to a number of factors, including unfortunate confusion caused in the marketplace by ATO pronouncements at the time, limited local investment capital was raised by both FLICs.

In the case of Content Capital, of which I was a director, it was prevented from accepting foreign investment beyond 33%. It accepted funds in return for 23% of its issued share capital from one strategic Japanese investor. However, it missed the opportunity to attract additional Japanese investment fundamentally because the local appetite had not been sufficient and the permitted remaining level of foreign capital was not sufficient to warrant the necessary due diligence.

The foreign investors were not eligible for the tax deduction that attached to local investment; their investment would not have incurred that timing cost to government.

The investment and the consequential finance for investment in Australian projects was thereby lost.

This mistake should not be made again. Foreign capital should be allowed, indeed encouraged, to assist the development of Australian art and enterprise – especially when local capital is inadequate.

We would be happy to assist the Committee, the Minister and the Department in considering and designing appropriate mechanisms, including the possible application of elements of the FLIC Scheme.

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