

WASCIP

Capital Incentive Mechanism (CIM)

Western Australian Screen Capital & Industrial Pilot
Draft Policy Framework Version 1.008.

1. Strategic Policy Objective

The WASCIP Capital Incentive Mechanism is designed to catalyse the mobilisation of **substantial private risk capital** into Western Australian screen production, supporting the transition from grant-dependent financing models toward a sustainable investment-led production ecosystem.

The mechanism seeks to:

- materially increase the proportion of **privately capitalised production budgets**
- anchor **long-term intellectual property ownership and exploitation structures** within Western Australia
- stimulate utilisation of **State screen infrastructure investments**, including major studio facilities
- expand **Western Australian workforce capability and industry depth**
- establish Western Australia as a **globally competitive jurisdiction for large-scale screen production finance**

The CIM is structured as a **pilot capital activation instrument**, capable of progressive calibration as industry capacity and investor confidence mature.

2. Incentive Architecture Overview

Participation in WASCIP incentives is contingent upon:

- Final Certification under the WASCIP Certification Framework
- satisfaction of minimum **private capital participation thresholds**
- demonstration of **material Western Australian production footprint**
- verified **WA intellectual property nexus**

The CIM is intended to operate as a **top-layer risk mitigation mechanism**, enhancing investor confidence while preserving market-based financing discipline. The WASCIP incentive is **calculated as a percentage of qualifying private risk capital**, with eligibility and payment contingent on verified Western Australian production activity.

3. Private Capital Participation Requirement

3.1 Flagship Capital-Led Production Tier

To qualify for primary WASCIP incentive participation, a production will normally be required to demonstrate:

Minimum 70% – 80% of total production budget capitalised through qualifying private risk capital.

This threshold is intended to:

- reposition Western Australia as a jurisdiction supporting **capital-led screen production models**
- materially increase investor familiarity with screen production as an asset class
- support development of projects capable of achieving **commercial scale and repeat franchise potential**

3.2 Transitional Capital Participation Tier

Recognising current market conditions, a transitional certification tier may apply during the pilot phase where productions demonstrate:

Minimum 50% – 60% of total production budget capitalised through qualifying private risk capital,

provided the applicant demonstrates:

- credible strategy for increasing private capital ratios in future productions
- structural alignment with WASCIP long-term policy intent

This tier is intended to facilitate **market transition rather than permanent structural reliance**.

4. Definition of Qualifying Private Risk Capital

For the purposes of WASCIP eligibility, qualifying private capital will generally include:

- equity investment from high-net-worth individuals
- private equity or structured investment funds
- genuine at-risk international co-production equity
- arms-length corporate investment participation

Qualifying capital must:

- participate in production recoupment on a **risk-bearing basis**
- not be structurally subordinated to customary presale or distribution financing arrangements beyond standard industry norms

5. Excluded Financing Categories

The following financing sources will **not be counted toward private capital thresholds**:

- Commonwealth or State production grants
- broadcaster licence fees or platform commissioning advances
- distributor minimum guarantees
- offset cashflow loans or rebate bridge financing
- producer deferrals or related-party equity lacking demonstrable risk exposure

This exclusion framework is intended to:

- prevent incentive arbitrage
- ensure WASCIP stimulates **genuinely additional investment participation**
- maintain integrity of program policy objectives

6. Incentive Quantum and Scaling

Eligible productions certified under the WASCIP framework may access a fixed, entitlement-based incentive calculated as a percentage of qualifying private risk capital.

6.1 Incentive Rate

The WASCIP incentive is set at: **40% of qualifying private risk capital**

This rate applies uniformly across certified productions meeting the requirements of the WASCIP Certification Framework and is not subject to discretionary adjustment.

6.2 Calculation Basis

The incentive is calculated exclusively on qualifying private risk capital as defined under Section 4.

For clarity:

- The incentive is **not calculated on total production expenditure**
- The incentive is **not calculated on Western Australian production spend**
- The incentive is **not applied to non-risk financing components**, including:
 - broadcaster licence fees
 - distributor minimum guarantees
 - government grants or offsets
 - debt or rebate cashflow facilities

This structure ensures the mechanism directly targets and incentivises genuine at-risk investment participation.

6.3 Eligibility Conditions (Qualification Layer)

Access to the WASCIP incentive is contingent upon satisfaction of the Certification Framework, including but not limited to:

- minimum qualifying private capital participation thresholds
- verified Western Australian production activity
- Western Australian domiciled production entity (SPV)
- minimum Western Australian crew participation
- studio utilisation or equivalent economic contribution

These conditions establish the production and economic basis upon which the capital-based incentive is granted.

6.4 Activation and Payment

Incentive entitlement is:

- **triggered at financial close**, subject to certification and verification of qualifying private capital commitments (including escrow where applicable)

Incentive payment is:

- **made post-production**, following:
 - completion of principal production and delivery

- independent audit verification of Western Australian production activity
- confirmation of compliance with certification conditions

6.5 Policy Rationale

The fixed-rate capital incentive structure is designed to:

- provide clear, predictable risk mitigation for private investors
- eliminate discretionary negotiation or incentive uncertainty
- directly address the structural absence of private capital participation in Australian screen production
- align public incentive exposure with verified economic activity and delivery outcomes

By calculating the incentive on private capital while conditioning payment on Western Australian production activity, the mechanism operates as a **capital activation instrument governed by production delivery**, rather than a traditional expenditure-based subsidy.

7. Western Australian Crew Participation Requirement

Certified productions will be expected to demonstrate meaningful engagement of Western Australian crew.

Pilot phase targets

Productions should seek to achieve:

- **Minimum 50% WA crew participation by headcount**, excluding specialist roles where demonstrable shortages exist
- **Minimum 35% WA crew expenditure** across total production labour costs

Growth caveat provision

Where suitably experienced WA crew are unavailable in sufficient numbers, the Certification Body may accept reduced participation where the production provides:

- evidence of genuine local recruitment efforts
- departmental skills-transfer or shadowing initiatives
- strategy for increased WA crew engagement in future productions

These thresholds may be progressively increased as **industry workforce depth expands**.

8. Studio Utilisation Requirement

To support optimal return on public infrastructure investment, eligible productions will normally be required to demonstrate:

- **minimum four consecutive weeks of production activity within Western Australian sound stage facilities, or**
- **at least 20% of principal photography days undertaken within WA studio environments,**

where the format or production design materially requires studio utilisation.

Location-driven productions may satisfy alternative tests where:

- production activity generates comparable economic impact through regional expenditure
- significant WA location branding and tourism outcomes are demonstrated

9. Incentive Activation and Payment Timing

WASCIP incentive eligibility will generally be confirmed:

- upon financial close and Final Certification
- following commencement of principal photography

While calculated on qualifying private capital, payment is conditional upon audited verification of Western Australian production expenditure and delivery milestones. Incentive payment may occur:

- post-production upon verification of minimum WA production activity
- or via staged milestone drawdowns where fiscally appropriate

This structure is intended to balance:

- investor cashflow requirements
- prudent public expenditure management

10. Risk Management Safeguards

To ensure program integrity, the CIM may incorporate:

- project-level incentive caps
- annual pilot exposure ceilings
- relocation clawback provisions
- review mechanisms where IP ownership migrates outside Western Australia

These safeguards are designed to:

- protect fiscal sustainability
- maintain stakeholder confidence
- support evidence-based policy continuation

11. Strategic Industry Transformation Outcomes

The Capital Incentive Mechanism is intended to contribute to:

- sustained increase in privately financed screen production budgets
- establishment of Western Australia as a **preferred jurisdiction for capital-driven productions**
- growth of WA-based production enterprises capable of long-term IP exploitation
- expansion of skilled workforce capacity and supplier ecosystems
- improved global competitiveness of Western Australia's screen sector

The CIM therefore represents a **structural industry transformation initiative**, supporting evolution from subsidy-dependent production activity toward a mature screen investment marketplace.

12. Illustrative Capital Participation & Incentive Scenarios

The following examples are provided for policy interpretation guidance only and do not constitute binding program commitments.

They demonstrate how the Capital Incentive Mechanism may operate across differing production scales and financing structures.

Table 1 — Flagship Capital-Led Feature Film Scenario

Item	Illustrative Position
Total Production Budget	AUD \$30 million
Qualifying Private Risk Capital	\$22 million (73%)
Commissioner License Fee	\$5m (Netflix, Stan, etc excluded from private capital test)
Distributor MG	\$3 million (excluded from private capital test)
WA Production Spend	\$18 million
WA Studio Utilisation	6 consecutive weeks
WA Crew Participation	52% headcount
WASCIP Indicative Incentive	\$8.8 million (40% of Qualifying Private Capital)

Policy Interpretation

- Project satisfies flagship capital participation threshold
- Strong WA economic footprint and IP domiciliation
- Incentive materially improves investor downside protection
- Project demonstrates infrastructure ROI justification

Table 2 — Transitional Series Production Scenario

Item	Illustrative Position
Total Series Budget	AUD \$40 million
Private Capital Participation	\$26 million (65%)
Commissioner License Fee	\$8 million (excluded from private capital test)
Distributor MG	\$6 million (excluded from private capital test)
WA Spend	\$20 million (50%)
Studio Commitment	20% of total shoot days
WA Crew Participation	45% headcount
WASCIP Indicative Incentive	\$10.4 million (40% of Private Capital Participation)

Policy Interpretation

- Transitional tier justified due to scale and returning-series potential
- Demonstrates pathway toward higher private capital ratios in future seasons
- Generates workforce continuity and infrastructure pipeline value

13. Waterfall Integrity – Illustrative Financing Structure

The following simplified structure demonstrates the distinction between qualifying private capital and excluded financing components.

Financing Layer	Counts Toward Private Capital Threshold
Private Equity Investment	YES
International Co-production Equity	YES
Distributor Minimum Guarantee	NO

Broadcaster Licence Fee	NO
Offset Cashflow Lending	NO
State Production Grant	NO
Producer Deferrals	NO

Policy Rationale

This framework ensures the program:

- stimulates **genuinely additional risk capital**
- does not function as a subsidy arbitrage mechanism
- supports sustainable long-term industry financing behaviour

This structure ensures that the WASCIP incentive operates as a capital-based risk mitigation mechanism, rather than a production expenditure subsidy.

14. WA Crew Participation Growth Pathway – Illustrative Model

Pilot Year	Target WA Crew Headcount	Rationale
Years 1–2	45%–50%	Reflects current depth constraints
Years 3–5	55%–65%	Anticipated growth via studio pipeline
Years 5+	65%–75%	Mature workforce ecosystem target

Policy Interpretation

This staged approach:

- recognises present workforce limitations
- incentivises productions to invest in skills transfer
- aligns incentive settings with infrastructure ramp-up

15. International Reference Addendum

The WASCIP Capital Incentive Mechanism has been informed by international screen production policy settings that combine fiscal incentives, infrastructure development and workforce growth strategies.

Ireland

Ireland's Section 481 tax incentive has been widely credited with:

- attracting significant inward production
- supporting development of domestic production enterprises
- generating measurable economic multipliers estimated in some studies at approximately **3:1 return on incentive expenditure**

Ireland's policy success has also been linked to:

- consistent incentive settings
- studio infrastructure expansion
- strong local talent development

WASCIP differs in placing **greater emphasis on private capital mobilisation thresholds**, reflecting the Australian financing environment.

United Kingdom

The UK screen sector has achieved substantial growth through:

- competitive production tax relief frameworks
- targeted independent film incentives
- strong studio infrastructure clusters

Recent UK policy refinements include:

- enhanced relief rates for mid-budget independent productions
- strategic focus on sustaining domestic production capability alongside inward investment

The UK experience demonstrates that **predictable incentive architecture can materially increase production volume and employment outcomes.**

Broader Policy Insight

International evidence suggests that screen production incentives are most effective where they:

- operate within a stable long-term policy framework
- support infrastructure utilisation
- stimulate workforce capability
- leverage private capital participation

The WASCIP pilot seeks to incorporate these elements while addressing the **specific structural challenge of limited private screen investment participation in Australia.**

16. Private Capital Commitment & Escrow Integrity Requirement

To ensure the stability and integrity of certified production financing structures, qualifying private capital must be demonstrably committed on a **binding, risk-bearing basis** prior to activation of WASCIP incentive eligibility.

16.1 Escrow Commitment Requirement

Where required by the Certification Body, productions seeking Final Certification may be required to demonstrate that qualifying private capital has been:

- deposited into a recognised **production escrow or collection account structure**, or
- irrevocably committed through legally enforceable subscription agreements
- secured via completion bond-compatible financing arrangements

Escrow arrangements should generally provide that:

- committed capital cannot be withdrawn solely due to changes in commercial projections
- release of funds is tied to agreed production milestones
- investor rights are preserved in accordance with industry-standard recoupment structures

Policy rationale

This requirement is intended to:

- reduce risk of mid-production financing instability
- protect public incentive exposure
- enhance credibility of Western Australia as a reliable production jurisdiction
- support confidence among international financing partners

16.2 Risk-Bearing Participation Test

Qualifying private capital must:

- participate in production recoupment on a **genuine at-risk equity basis**
- not be guaranteed repayment through pre-arranged incentive entitlements
- not be fully hedged or insured against normal commercial performance outcomes

The Certification Body may request confirmation that:

- investor returns remain contingent on project performance
- capital is not structured as disguised senior debt or deferred incentive participation

Policy rationale

The objective is to ensure WASCIP incentivises:

true investment participation rather than structured subsidy capture.

16.3 Waterfall Position Integrity

Qualifying private capital must not be structurally subordinated beyond **standard industry practice**, recognising that customary priority positions may include:

- approved senior production debt
- completion bond obligations
- guild residuals and statutory levies
- collection account management costs

However, private capital will generally not be considered qualifying where:

- distributor advances or platform licence fees sit materially ahead of equity recoupment in a manner that effectively removes investor risk
- complex financing arrangements artificially dilute equity participation
- related-party financing creates circular risk protections

Policy rationale

Maintaining integrity of recoupment positioning:

- supports genuine investor downside exposure
- encourages disciplined project selection
- strengthens long-term sustainability of the capital ecosystem

17. Conclusion – Structural Industry Reform & Pilot Implementation Intent

The Western Australian Screen Capital & Industrial Pilot represents a deliberate shift in screen industry policy settings toward a **capital-enabled production ecosystem** capable of delivering sustained economic, cultural and industrial benefits to the State.

Through the Capital Incentive Mechanism, WASCIP seeks to address a long-standing structural imbalance within the Australian screen financing landscape — namely the limited participation of genuine private risk capital in production budgets and the consequent constraints on production scale, intellectual property retention and long-term enterprise development.

By establishing clear thresholds for private capital participation, incentivising meaningful intellectual property domiciliation within Western Australia, and linking public incentive exposure to demonstrable economic activity, the pilot framework is intended to:

- unlock larger-scale productions capable of utilising the State's significant screen infrastructure investments
- foster the growth of Western Australian production companies with the capacity to originate and retain globally marketable screen properties
- expand employment opportunities and skills pathways across the local workforce
- improve investor confidence in screen production as a disciplined and credible asset class

- position Western Australia as a competitive destination within the international production financing marketplace

Importantly, the WASCIP model is designed to **complement, rather than replace, existing cultural and development funding mechanisms**, recognising that a mature screen ecosystem requires both creative incubation pathways and commercially scalable production finance settings.

The pilot structure enables Government to test a targeted capital activation strategy within a defined fiscal envelope, supported by measurable performance indicators including:

- levels of private capital mobilisation
- utilisation of studio and production infrastructure
- workforce participation and capability growth
- intellectual property retention outcomes
- downstream taxation and economic multiplier effects

Subject to demonstrated success, the WASCIP framework has the potential to evolve into a **repeatable long-term policy instrument**, contributing to the establishment of Western Australia as a recognised centre for capital-driven screen production and franchise development. By structuring the incentive as a rebate on private capital rather than production expenditure, WASCIP directly addresses the structural absence of investment participation in the Australian screen financing landscape.

In this context, the Capital Incentive Mechanism should be viewed not as a standalone incentive, but as a **structural industry transformation initiative** aligned with broader State objectives relating to economic diversification, creative enterprise growth and international investment attraction.