

Export Finance and Insurance Corporation Amendment (Direct Lending and Other Measures) Bill 2014

On 27 November 2014, the Senate referred the following bill to the Foreign Affairs, Defence and Trade Legislation Committee for inquiry and report by **11 February 2015**:

Export Finance and Insurance Corporation Amendment (Direct Lending and Other Measures) Bill
[Provisions] 2014

The closing date for submissions is **16 January 2014**.

SUBMISSION TO: fadt.sen@aph.gov.au

Re: Export Finance and Insurance Corporation Amendment (Direct Lending and Other Measures) Bill 2014

DATE: 13 January 2015

Dear Sir/Madam

We make the following comments in respect of the Export Finance and Insurance Corporation Amendment (Direct Lending and Other Measures) Bill 2014;

1. We are a Small to Medium Manufacturing Enterprise (SME) with approximately 75%–80% of our business turnover being generated through export sales markets.
2. In 2013, our company was confronted with the position that significant further export sales would be generated as a result of successful research and development activities undertaken by this company on a particular range of its products for its export customer.
3. In order to capture these additional export sales in a timely manner, additional funding was required in order to allow our company to purchase the required materials to manufacture the products in demand.
4. Unable to source the appropriate funding from our existing financiers for this purpose, we approached the Export Finance and Insurance Corporation (EFIC). Through their Export Working Capital Guarantee facility, were able to provide the required guarantee to our existing financiers which in turn allowed them to provide us \$AUD600,000 in ongoing funding, for the purpose of acquiring the necessary raw materials.
5. This facility “dove-tails” with our financiers requirements, and provides them the necessary EFIC guarantees to allow them to release the funding required by this company for the additional export sales.
6. By undergoing this funding exercise (and excluding costs associated with EFIC’s initial due diligence process of our company) we have experienced “doubling-up” of the following activities and costs by EFIC and our financiers;
 - (a) Regular Annual Credit Approvals;
 - (b) Documents and information etc for both EFIC and Financiers;
 - (c) Ongoing facility fees for both EFIC and our financiers;
 - (d) Ongoing approvals required for every transaction within the \$600,000 funding limit;
 - (e) Notification of draw down amounts and reports for every transaction and reliance on communication lines between EFIC and the financier.

7. I have been advised that the proposed bill amongst other matters has two recommendations. The first is to increase EFIC's lending flexibility to enable it to lend in support of the export of all goods. Currently EFIC can only lend in support of the capital goods and services.
8. The second proposed recommendation, EFIC's operations to be subject to competitive neutrality provisions (debt neutrality fee and tax charge).
9. In respect of point 7 and the matters in point 6 above, I would thoroughly recommend elimination of all "double-up" of activities as between EFIC and our financiers. It will also eliminate the "double-up" of charges that has to be sustained by a SME Australian exporter. To establish and maintain an export business is a very costly excersize for any Australian SME and any elimination of the "doubling-up" effect between EFIC, the financier and the SME and reduction of "red-tape" is beneficial and will;
 - (a) Reduce time required to be expended by the SME on a transaction as it only is required to deal with one party being EFIC;
 - (b) Allow one set of final documentation to be prepared for the funding facility and settled by the SME and EFIC, thereby only one set of documentation is required to be assessed by the company advisers;
 - (c) Reduce the fees currently charged to the SME by two parties and condense this to one charge by EFIC. The surplus of funds could then be reinvested in the business activities and further expand further export opportunities available to the company;
 - (d) Simplify approvals (both initial and ongoing) to one party being EFIC and thus make it a more efficient process.
10. In point 6 (above), the communication lines between EFIC and the financier is required to be of a very high standard, in order to minimize the effect of any delays to the SME during a transaction. The SME should not be placed in a "time vacuum", for receipt of funds in a transaction, due to any lack of communication or other matter as between EFIC and the financier.
11. In respect of the matter in point 8 above, I recommend this to ensure that EFIC remains competitive and in line with the commercial business practice. The SME exporter should not be subject to non-commercial lending criteria upon accessing the EFIC facilities.
12. In summary, the proposed bill should be passed and the matters in points 7 and 8 above will allow a simpler, effective and more efficient system to operate as between EFIC, the SME's financier and the SME.