

Submission to the Senate Committee on Foreign Affairs, Defence and Trade Inquiry into the Export Finance and Insurance Corporation Amendment (Support for Infrastructure Financing) Bill 2019

The Export Council of Australia (ECA) welcomes the opportunity to make a submission to the Senate Committee on Foreign Affairs, Defence and Trade Inquiry into the Export Finance and Insurance Corporation (Efic) Amendment (Support for Infrastructure Financing) Bill 2019.

The ECA is the leading industry body focused on Australia's international businesses, particularly small to medium-sized enterprises (SMEs). Our core activities include research, advocacy, skills development and events.

Our advocacy program aims to make it simpler and cheaper for SMEs to engage in international business. To pursue this aim, each year we make trade policy recommendations to the Australian Government. We also make submissions to relevant Parliamentary inquiries. Our recommendations and submissions can be found at <https://www.export.org.au/trade-policy/trade-policy-recommendations>.

We collaborate with a number of government agencies—Commonwealth, state and territory—to advocate for our members and support SMEs. We sit on several Australian Government consultative committees and working groups, including the National Committee for Trade Facilitation.

The ECA has a commercial relationship with Efic, including Efic sponsoring some ECA activities (including the NSW, Qld and WA Export Awards). Commercial relationships with government entities do not influence the ECA's advocacy on behalf of its members.

Recommendation

The ECA recommends that the Committee recommend the Senate:

- support the amendments to change Efic's name to Export Finance Australia, and increase its callable capital
- support the amendments to enable Efic to provide overseas infrastructure financing on its Commercial Account if there is a benefit to Australia—direct or indirect—on the proviso that the benefit to Australia is a commercial benefit that is clear, quantifiable, and proportionate to the amount of finance provided.

Submission

Name Change

The ECA supports re-naming Efic to Export Finance Australia.

The name Export Finance and Insurance Corporation has led to considerable confusion by businesses about what services Efic provides. Export Finance Australia is a much simpler name that more accurately conveys the services it provides.

However, the ECA notes the name change will require a major rebranding exercise, and the ECA recommends the government enable Efic to adequately fund this exercise by lowering its required dividend for FY 2018-19 and 2019-20.

Increase in callable capital

The ECA supports increasing Efic's callable capital.

Efic has a strong track record as a responsible lender. Increasing its callable capital will increase its ability to support Australian business, particularly in countries where it is nearing its lending limits.

Australian benefit test

The ECA supports Efic being able to more flexibly assess the commercial outcomes to Australia from the projects it considers financing.

While the ECA supports considering indirect benefits when assessing the commercial outcomes for Australia, the benefits to Australia should be clear, quantifiable, and proportionate to the financing provided.

While the ECA understands that the amendments are not intended to enable Efic to lend for non-commercial purposes, the ECA notes the Explanatory Memorandum to the Bill is ambiguous about whether the amendments will have this effect:

Applying an Australian benefit test for infrastructure will open up a larger pool of potential projects eligible for Efic financing. It enables Efic to take account of the direct benefits from the involvement of Australian companies in infrastructure projects, as well as future and indirect benefits for Australia or Australians, such as greater Australian participation in supply chains, access to new markets for Australian businesses, more Australian jobs, payments, dividends or other financial proceeds from overseas to Australia, or stronger relationships with our regional partners, especially in the Pacific. (Explanatory Memorandum, page 2, emphasis added.)

Definitions: overseas infrastructure financing means lending money to support overseas infrastructure development, if EFIC reasonably believes that lending the money is likely to result in an Australian benefit. (Explanatory Memorandum, page 5)

Furthermore, the definition of Australian benefit in the amendments is extremely broad:

Australian benefit means a benefit that flows (whether directly or indirectly) from overseas to: a) Australia; or b) a person carrying on business or other activities in Australia. (Explanatory Memorandum, page 5)

The ECA does not support Efic lending for non-commercial outcomes using Efic's Commercial Account. This would be a major shift in Efic's mandate, and see it become a tool of foreign (or other) policy. Doing so would create two major risks.

The first risk is that Efic's limited resources would be diverted away from its core purpose of helping Australian businesses succeed internationally. The second risk is that, due to the

subjective nature of what constitutes a benefit to Australia, giving Efic the discretion to lend for foreign (or other) policy outcomes may have the effect of undermining the Australian public's support for Efic.

While the ECA is not opposed to the Australian Government lending for non-commercial outcomes, this should only be either done through Efic's National Interest Account or mechanisms separate to Efic (such as the Australian Infrastructure Financing Facility for the Pacific).