

6 March 2019

The Committee Secretariat
Foreign Affairs, Defence and Trade Committee
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Madam/Sir,

Senate Enquiry Submission

Export Finance and Insurance Corporation Amendment (Support for Infrastructure Financing) Bill 2019 [Provisions]

Rhodes Project Services Pty Ltd ('Rhodes') makes this submission on the Export Finance and Insurance Corporation Amendment (Support for Infrastructure Financing) Bill 2019 ('the Bill').

Rhodes company introduction and background

Rhodes is an Australian privately owned and operated company, headquartered in Melbourne. Since 2011, it has specialised in the vertically integrated delivery of social infrastructure throughout the Pacific region, predominantly in PNG.

Our investment in innovation and productivity improvements has resulted in a modern, faster and better way to build utilising prefabricated steel framed building systems and components, especially in developing or Pacific regions. Buildings are architecturally and structurally designed with minimal wastage and maximum durability for each project. Our Australian and Pacific regional teams design, supply and construct a diverse range of buildings and social infrastructure at competitive pricing, wherever the location.

Rhodes project delivery in recent years includes:

1. Primary Schools - 42 schools supplied, 28 schools supply and install.
2. Community Health Posts – 12 as head contractor, 6 supplied.
3. Law & Justice Facilities - Courts, Police facilities, Family & Sexual Violence (FSV) units.
4. Defence Facilities – Barracks mess facilities.
5. Social and affordable housing pilot projects – PNG, Philippines, Cook Islands, Fiji.

We pride ourselves on the delivery of challenging projects in the Pacific whilst maintaining the highest possible standards of quality, compliance and safety along with a keen sense of local community interaction, respect and social contribution.

As an SME, Rhodes currently works with many large-scale organisations responsible for major infrastructure projects in the region such as foreign aid donors, multilateral banks, NGO's, mining companies, oil & gas companies and superannuation funds.

Submission on the Bill

Rhodes strongly believes the Bill will create significantly more Australian trade and export related benefits, as well as fostering long-term, deeper and more tangible relationships within the Pacific region.

We provide the following comments on key terms referenced in the Bill, through our own experience with EFIC, specifically in the Pacific.

1. *Supporting and financing infrastructure projects in the region that have a benefit for Australia or Australians.*
 - a. Australian benefits are likely to significantly increase not only via direct Australian financial and employment gains (via regional expansion and increased export related activities), but also via a long-term platform of deeper business, economic, trade and social relationships in the region. Australian companies that have a long-term view in the Pacific will establish or solidify full-time regional operations to take advantage of other commercial opportunities, in addition to the direct support provided by EFIC on upcoming infrastructure projects.
 - b. EFIC support via guarantees and co-lenders is very important in a Pacific environment that is critically lacking capacity and access to finance. EFIC with its sovereign credit rating provides significant comfort to Australian and Pacific based lenders as well as project sponsors. This comfort provides credit qualification and lender confidence for works and contracts to proceed formally. In the case of Rhodes, the first 3 years of EFIC support was substantially responsible for approximately 100% year on year growth in its Australian export related revenues, based on successful delivery of social infrastructure projects.
2. *Driving stronger commercial links between Australia and the region.*
 - a. Australian businesses supported to grow a presence in the Pacific will result in stronger commercial links which help to grow sustained value, revenue and mutually beneficial export related benefits long term. The support of EFIC finance is critical in enabling a full-time commercial presence in-country, especially during the first few years of operations. Commercial links are evident via a number of known examples:
 1. Local company registration and operations
 2. Local joint ventures and strategic partnerships
 3. Registration on various licensing boards
 4. Membership of trade and business councils
 5. Participation of key Australian managers on other boards and committees
 6. Engagement in corporate social responsibility – Sponsorships, foundations, training, mentoring.
3. *Working with Pacific partners for a Pacific region that is secure strategically, stable economically and sovereign politically.*
 - a. The benefits of working together with Pacific partners to deliver critical infrastructure that is designed to be fit for purpose, to internationally recognised standards and satisfying due diligence processes are very significant. Better education, better health, communications and other utilities delivered to cities, towns and rural communities have an immediate impact on living standards and well-being in communities. The tangible effects seen of infrastructure delivery and the gratitude of recipient communities we believe carry a lot more strategic weight than simply advisory based initiatives.
 - b. EFIC should facilitate continued commercial investment in infrastructure so that Pacific partners can effectively bank on such support in the long-term, within prudential guidelines, and therefore manage their strategic country and sovereign aims. The continuity and viability of such programs and relationships are crucial to supporting economic success and stability in the region.
4. *Address the infrastructure needs of the Pacific by boosting EFIC ability to support commercial participation by Australian businesses.*
 - a. Rhodes believes it is important to support large scale infrastructure opportunities, and SME related operations concurrently. Supporting all Australian businesses including sub-contractors, consultants and suppliers via export finance is a very important step in allowing sustained commercial success, capacity and growth in the region.
 - b. Where a business case and appropriate creditworthiness exists, EFIC is a critical link in supporting Australian businesses to win more projects in the region. Access to finance is very restricted to an Australian business seeking revenue generating projects, outside of Australia and even more so when originating in the Pacific. A large risk premium and lack of appetite

exists for such project support, even where a strong track record of commercial success and delivery performance exists.

5. *Enable EFIC to finance more infrastructure projects in PNG.*

- a. Increased lending for PNG infrastructure development is very likely to result in significant Australian benefits. PNG's strategic location and historical links with Australia are ideal for enhancing participation in supply chains, jobs, payments, dividends, and importantly the national interest through such lending support.
- c. EFIC ability to finance more infrastructure projects in PNG will see capable Australian businesses and their partners able to compete for more work and deliver. As a suggestion, EFIC's enhanced ability to support infrastructure delivery can assist Official Development Assistance (ODA) budgets in the Pacific. The private sector can provide innovative delivery models which may reduce capital and operational budgets to achieve more efficient outcomes. For example:
 1. Private Public Partnerships (PPP) for the delivery and operation of key infrastructure
 2. Program based, bundled turn-key contracts for repetitive infrastructure
 3. Build Own Operate (BOO) models, underwritten as appropriate
 4. Staged scopes for prefabricated supply, then install for typical social infrastructure such as schools, health facilities, emergency facilities.

Yours Sincerely,

Emanuel Papas
Managing Director