

EXPORT FINANCE AND INSURANCE
CORPORATION AMENDMENT (SUPPORT FOR
INFRASTRUCTURE FINANCING) BILL 2019

SUBMISSION TO SENATE FOREIGN AFFAIRS,
DEFENCE AND TRADE LEGISLATION COMMITTEE

6 March 2019

INTRODUCTION

1. ANZ appreciates the opportunity to make a submission to this Senate Committee inquiry into the Export Finance and Insurance Corporation Amendment (Support for Infrastructure Financing) Bill 2019 (**Bill**).
2. ANZ Banking Group Limited (ANZ) acknowledges the important role Australia's export credit agency (ECA), Efic, plays in providing financial support to larger Australian exporters and overseas parties importing goods and services from Australia. We support this Bill's aims to further strengthen the role of Efic in assisting the financing of overseas infrastructure projects in our region.

ANZ PROJECT AND EXPORT FINANCE

3. ANZ is in 29 markets across the Asia Pacific and is a market leader in project & export finance and in structuring, arranging, and executing ECA-supported transactions for Sovereigns, semi-Sovereigns, corporates and for limited-recourse project financings across the region.
4. ANZ has specialist project & export finance teams located in Melbourne, Sydney, Auckland, Singapore, Beijing, Seoul, Tokyo, London and Frankfurt. These specialist teams offer product and sector expertise and in-depth local knowledge of industry structures, regulations and stakeholders.

OFFSHORE EXPORT CREDIT AGENCIES

5. ANZ has established relationships with ECAs in OECD countries and non-OECD markets such as China. Our experience is that many ECAs have evolved from their traditional activities of supporting the export of capital goods to now offering support for overseas infrastructure projects based on national interest considerations. **Table 1** illustrates this trend across a selection of overseas ECAs. The ECAs in Korea and Japan are notable, and have been long-time exponents of this approach.
6. For example, the Korea Trade Insurance Corporation (K-SURE) and the Export-Import Bank of Korea (KEXIM) – the two official ECAs in South Korea – offer an 'Untied Investment Support Program' for large and high profile Korean investment projects with no fixed limit attached. The loan amount is decided on a case by case basis, and loans and

insurances provided via these programs are not governed by the OECD Consensus.¹
These programs are designed to support Korean interests offshore.

Table 1: Services offered by other export credit agencies

| ECA | Country | Services |
|---------------------------------------|-------------|---|
| Euler Hermes Deutschland | Germany | <ul style="list-style-type: none"> • support generally based on >51% German content • lower national content is considered on case by case basis |
| Serv – Swiss Export Risk Insurance | Switzerland | <ul style="list-style-type: none"> • support generally based on >50% Swiss content • can support lower Swiss content (even 0%) on case by case |
| UK Export Finance | UK | <ul style="list-style-type: none"> • support generally based on 20% UK content • lower national content is considered on a case by case basis |
| BPI France | France | <ul style="list-style-type: none"> • can provide a corporate line of credit to purchase UK content across different projects • support generally based on 20% French content • can satisfy minimum content on an average basis across multiple transaction |
| EKF | Denmark | <ul style="list-style-type: none"> • launch an “untied” programme based on national benefit rather than French content • minimum 20% Danish economic interest satisfied by: <ul style="list-style-type: none"> • Danish content, ongoing Danish service contracts, contribution margins from foreign subsidiaries and/or other contracts resulting from Danish companies • transactions with lower Danish economic interest considered on case by case basis |

- The Japan Bank for International Cooperation (JBIC) and Nippon Export and Investment Insurance (NEXI, Japan’s ECA) offer programs to support Japanese private sector companies invest overseas and with the export of infrastructure projects. JBIC and NEXI also support Japanese commodity imports on national interest grounds.
- In ANZ’s experience, the amount of support Efic provides to individual projects and transactions is, on average, markedly lower than the support typically provided by overseas ECAs to foreign transactions and projects. This is illustrated in **Table 2** which shows that Efic is not amongst the top 20 ECAs in the Asia Pacific.² Providing Efic with access to additional capital to increase its support capacity for individual transactions and projects will ensure it keeps pace with and, where required, can compete with other ECAs.

¹ <http://www.oecd.org/trade/topics/export-credits/arrangement-and-sector-understandings/>

² TXF Data classification is ‘Asia, Asia Pacific, Australasia’

Table 2: Top 20 ECAs for export finance (Asia, Asia Pacific, Australasia)

| ECA | Sum of ECA involvement in the deal in \$m | | |
|-------------------------------|--|-------------|-------------|
| | 2016 | 2017 | 2018 |
| JBIC | 5276.0 | 2956.1 | 2974.9 |
| China EXIM | 6345.2 | 1280.0 | 3086.9 |
| KSURE | 961.6 | 1904.0 | 1465.5 |
| KEXIM | 1805.9 | 1070.8 | 898.5 |
| NEXI | 325.7 | 2599.9 | 751.3 |
| Sinosure | 430.0 | 643.3 | 1188.5 |
| THAI EXIMBANK | | | 1882.8 |
| Export - Import Bank of India | 1750.0 | | 82.2 |
| Euler Hermes | 286.3 | 373.3 | 1052.1 |
| SACE | 67.7 | 77.8 | 1095.8 |
| EKF | 199.7 | 47.0 | 457.6 |
| Atradius | 270.1 | 163.3 | 220.5 |
| SERV | 162.2 | 117.9 | 241.0 |
| EDC | 217.5 | 154.0 | |
| MIGA | 210.0 | | 137.7 |
| UK Export Finance | 4.2 | 170.0 | 128.6 |
| COFACE SA | 284.9 | | |
| EKN | 249.8 | | |
| Bpifrance | | 202.4 | 40.8 |
| US EXIM BANK | 232.8 | | 0.4 |

SOURCE: TXF DATA

SUPPORT FOR INFRASTRUCTURE FINANCING

9. ANZ acknowledges the demand for infrastructure across the Pacific region and believes there is scope for Australia to increase its role in partnering to deliver productive infrastructure. Extending Efic's role in financing overseas infrastructure projects through an Australian benefit test that takes account of direct and indirect benefits is consistent with the approach taken by other ECAs.
10. ANZ will be happy to engage with Efic in delivering on this objective should the Bill be legislated.

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