

Chapter 1

Introduction

Referral of inquiry

1.1 On 9 November 2016, the Export Finance and Insurance Corporation Amendment (Support for Commonwealth Entities) Bill 2016 (the bill) was introduced in the House of Representatives by the Minister for Trade, Tourism and Investment, the Hon Steven Ciobo MP.¹ On 24 November 2016, the Senate referred the provisions of the bill to the Senate Foreign Affairs, Defence and Trade Legislation Committee for inquiry and report by 7 February 2017.² The reasons for the referral, as cited by the Selection of Bills Committee, were to:

- investigate whether there are unintended negative consequences of allowing the Export Finance and Insurance Corporation (Efic) to provide loans to projects which are not located in Australia; and
- establish whether accompanying checks and balances should be legislated.³

Conduct of inquiry

1.2 The committee advertised the inquiry on its website, calling for submissions to be lodged by 13 January 2017. The committee also wrote directly to a range of individuals and organisations likely to have an interest in the bill, drew their attention to the inquiry and invited them to make written submissions.

1.3 The committee received 12 submissions to the inquiry. These submissions are listed at Appendix A and are published on the committee's website.

Scrutiny by other committees

1.4 The Scrutiny of Bills Committee considered the bill according to its usual scrutiny process and did not have any comments in relation to the scrutiny principles outlined in Senate Standing Order 24.⁴

1.5 The Parliamentary Joint Committee on Human Rights examined the bill and considered that the bill does not raise any human rights concerns.⁵

Purpose of the bill

1.6 The bill gives effect to two main amendments. The first amendment will allow Efic, subject to ministerial approval, to offer its financial capabilities in the

1 The Hon Steven Ciobo MP, Minister for Trade, Tourism and Investment, *House of Representatives Hansard*, 9 November 2016, p. 3281.

2 *Journals of the Senate*, No. 19, 24 November 2016, p. 590.

3 Selection of Bills Committee, *Report No. 9 of 2016*, p. 3.

4 Scrutiny of Bills Committee, *Alert Digest No. 9 of 2016*, 23 November 2016, p. 3.

5 Parliamentary Joint Committee on Human Rights, *Report 9 of 2016*, p. 39.

operation and administration of Commonwealth financing programs where there is no connection to exports. Efic will not be able to provide loans or guarantees to support Commonwealth financing programs, however it will be able to provide advice on the structure of a loan and manage the loan on behalf of the Commonwealth entity or company. The amendment is expected to lower government service delivery costs by leveraging existing resources.⁶

1.7 The second amendment will enable Efic to better support Australian small to medium-sized enterprises (SMEs) access global markets. The amendment will align the current definition of an 'eligible export transaction' for loans to the broader definition of 'Australian export trade' for guarantees. The amendment does not change Efic's restriction of operating only in the market gap where banks are unable to help, and any support must still be attached to exports. As the value of Australian exports is being increasingly derived from innovation, design and intellectual property, rather than traditional assembly, this would allow Efic to support a wider range of SME exporters.⁷

Financial Impact

1.8 While the Explanatory Memorandum states that the bill 'will have no direct financial impact', it may have indirect implications for the Commonwealth. The Commonwealth Government funds Efic directly through providing capital and guaranteeing its borrowings. Changes to Efic's operations may impact on Efic's costs or profits, in turn impacting on the costs or benefits it provides to the Commonwealth.

Structure of report

1.9 Chapter 2 of this report provides an overview of the matters raised in evidence and contains the committee's view and recommendation.

Acknowledgements

1.10 The committee acknowledges the short period of time available for those who made submissions. The committee thanks all those who assisted with the inquiry.

6 Explanatory Memorandum, *Export Finance and Insurance Corporation Amendment (Support for Commonwealth Entities) Bill 2016*, p. 2.

7 Explanatory Memorandum, *Export Finance and Insurance Corporation Amendment (Support for Commonwealth Entities) Bill 2016*, pp 2–3.