

Foreign Affairs Defence And Trade Legislation Committee
Export Finance and Insurance Corporation Amendment (New Mandate and Other
Measures) Bill 2013

Public Hearing 17 May 2013 – Parliament House, Canberra

Question on Notice from Senator Rhiannon

Witness: Department of Foreign Affairs and Trade

Committee Hansard Transcript p 13

Question

Senator RHIANNON: Considering the shortness of time, would you take on notice to supply us with what you agree with in part and what bits you do not—for example, 6.2 you have agreed in part. Would you take it on notice for that table to tell us which bits you agree with and which bits you do not agree with. I am just conscious of time.

Ms McGrath: Yes. I guess the 'noted' is—

Senator RHIANNON: That you are not going to do anything?

Ms McGrath: No, it does not necessarily mean that. It means that we note the recommendation, and very often that means that we need to think about the detail of how we could take on board what some of the Productivity Commission has said.

Senator RHIANNON: If you could expand on the noted, if it is possible.

Answer

In its response to the Productivity Commission report on Australia's export credit arrangements the Government agreed or agreed in part to 16 of the recommendations and noted the remaining six.

Where the Government 'agreed in part' to a particular recommendation, this meant that the Government agreed with some, but not all, of what the PC had recommended. The following table sets out what was agreed and not agreed within the recommendations agreed in part:

Recommendation	Agreed	Not agreed
5.1	Agree to define small and medium sized enterprise.	Do not agree to the thresholds proposed by the PC of 100 full-time equivalent (FTE) employees or annual turnover of \$50 million, deciding instead on 100 FTE or \$100 million annual turnover.
6.2	Agree to amend the Act to ensure EFIC's activities on the Commercial Account complies with competitive	Do not agree to set a benchmarked rate of return.

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	<p>neutrality arrangements. The <i>Export Finance and Insurance Corporation Amendment (New Mandate and Other Measures) Bill 2013</i> provides for EFIC to pay a tax-equivalent charge and a debt neutrality fee to achieve this.</p> <p>Agree the Statement of Expectations will require EFIC pricing on its Commercial Account to reflect the expected full economic cost of provision.</p>	<p>Do not agree to require EFIC to identify in its annual report and corporate plan that part of its revenue that relates to not paying a tax-equivalent payment and debt neutrality fee, as the Bill will require these payments to be made.</p>
8.2	<p>Agreed to Treasury and Finance undertaking a review of EFIC's Treasury function. The review is currently underway.</p>	<p>Do not agree to do such a review regularly.</p>
9.5	<p>Agree that the Government's assessment of National Interest Account (NIA) facilities should include detailed analysis and that this be done as part of the Cabinet process.</p> <p>Agree the Government should publicly announce any significant NIA facilities, including the rationale for approving. This is usually done through a press release. EFIC also includes details of NIA transactions in its annual report and on its on-line register.</p> <p>Agree that information on the performance of the NIA should be publicly reported. This is already done through the EFIC</p>	<p>Do not agree that facilities with national interest objectives should only be considered in the context of the NIA. In some cases, EFIC will also support a facility with national interest objectives on its Commercial Account.</p>

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	<p>annual report and also DFAT annual financial statements.</p>	
<p>9.6</p>	<p>Agree that the Statement of Expectations should require EFIC to publicly disclose its prospective involvement in projects with significant environmental or social impacts. i.e. Category A projects.</p> <p>Agree that the environmental and social classification of projects should be disclosed in EFIC’s annual report and on its website. It already does this.</p> <p>Agree that the classification and the process for approval should be predictable and disclosed in the annual report and on EFIC’s website. EFIC does this by making public its Policy and Procedure for Environmental and Social Review of Transactions. EFIC also already provides brief reasons for Category A categorisation.</p> <p>Agree that EFIC should make public its involvement in supporting Category A projects in Australia.</p> <p>We are considering how all of these requirements may be reflected in the Minister’s Statement of Expectations. They do not required changes to the legislation.</p>	<p>Do not agree that EFIC should publicly disclose its prospective involvement in ‘non projects’ and bonds.</p>

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10.1	Part (b) is agreed. That is, that the Act should not be amended to allow EFIC to enter into loans for the export of non-capital goods.	Part (a) is not agreed. That is, that the Minister should direct EFIC to cease providing financial services for transactions that are not based on an export contract.
10.2	Agree that EFIC should have a demonstration role, in particular that the provision of financial services to newly exporting SMEs can be done on the same basis as the private sector. This will be reflected in the Statement of Expectations.	Do not agree that EFIC's role should be limited to supporting newly exporting SMEs.
10.3	Part (a) agree that EFIC's objective should be to address market failures and that its operations should focus on SMEs. This is reflected in the Bill.	Do not agree that EFIC should be limited to supporting newly exporting SMEs. Do not agree with parts (c), (d) and (e), that assistance is only to be provided in respect of export contracts, not to persons indirectly involved in trade and that EFIC's products are to be limited to guarantees and bonds.
10.4	Agree that a limit of three facilities per client should normally apply on the Commercial Account. Where EFIC provides more than three facilities, justification will need be provided to the EFIC Board and reported to the Trade Minister in its regular reporting. This requirement will be included in the Statement of Expectations.	Do not agree with the proposed conditions for allowing support for more than three facilities.
10.5	Agree EFIC should make public the information on the facilities it approves on the Commercial Account,	Do not agree that EFIC should disclose commercially sensitive information such as

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	including the name of the client, the sector, the goods/services involved, the country, the type of facility and the value of the facility. EFIC already does this through its on-line register. EFIC will in the future be required to publish this information within 2 months of execution. This requirement will be included in the Statement of Expectations.	pricing details.
10.6	Agree to make necessary amendments to the EFIC Act.	Do not agree to issue Ministerial directions or a revised Statement of Expectations before the changes to the legislation commence, as the changes are expected to commence very soon.
10.7	Agree to a review of EFIC three years after the amendments to the Act introducing the new mandate have commenced, but the terms of reference will be determined in the future by the Government.	

Where the Government noted recommendations, this meant that it took on board the PC's recommendations and would give further consideration to whether any further action could or should be taken. In some cases, the recommendations concerned matters for others to consider, such as the EFIC Board. In particular, recommendations 6.1, 8.1, 9.2 and 9.4 are matters for the EFIC Board. Recommendation 9.8 is a matter for the Attorney-General to consider as part of the review of the FOI Act.