



GE

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Committee Secretary
Senate Foreign Affairs, Defence and Trade Legislation Committee
Department of the Senate
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RE: *Export Finance and Insurance Corporation Amendment (New Mandate and Other Measures) Bill 2013*

General Electric (GE) participated in the Productivity Commission Inquiry into Australia's Export Credit Arrangements in 2012 and welcomed the Government's response to the Inquiry recommendations earlier this year.

With 117 years' experience in the Australian market, GE is an established technology and services provider, as well as financier of Australian businesses and infrastructure. Last year, GE acquired Australian mine equipment manufacturer Industree.

In its April 2012 submission in response to the Productivity Commission's Draft Report, GE expressed concern with the Commission's draft recommendation (10.1) that:

"EFIC's support for onshore resource projects should cease, as there is no clear market failure affecting access to finance for these projects".

GE argued EFIC should be permitted to be a lender for such projects and accept counter guarantees from other ECAs.

The continued development of Australia's resource project pipeline, with the availability of sufficient finance, skills and infrastructure, are critical to the nation's economic performance, productivity and international competitiveness.

EFIC's submission to the Government's *"Australia in the Asian Century White Paper"* stated:

"The quantum of debt needed for these resource and related infrastructure projects in Australia exceeds the capacity of the commercial bank market, and accordingly significant contributions are sought from ECAs. The continued demand for large-scale project financing in Australia and the Asia-Pacific region more broadly, combined with the policy mandates of Asian ECAs it is likely that Asian ECA financing of domestic projects in Australia will continue to grow."

In its June 2012 final report, the Commission reiterated its recommendation (10.1(a)) was to –*"cease providing financial services for transactions that are not based on an export contract as defined in section 3 of the Act"* and it specifically referred to *"resource projects in Australia and related infrastructure, and suppliers of goods and services to those projects"*.

However, in January this year, the Government's confirmed its response to this recommendation was *"not agreed"*. GE commends the Government on its response to this recommendation.

GE had also recommended to the Commission that EFIC's role in export promotion, as a well-managed and transparent source, to leverage shortfall in other sources of finance. GE would encourage EFIC to continue to have a domestic lending tool available to support exporters.

However, GE did not comment on the Commission's recommendation (7.1) to *"remove the 'market gap' mandate from the Statement of Expectations"* and the Government's response to introduce a *"market failure test [to] replace assessments based on the 'market gap'."*

Subsection 3(1) of the Bill provides for the term "market failure" to be defined through a legislative instrument to be made by the Minister at a later date, and that *"the use of a legislative instrument is to facilitate adjustment of the test over time in response to the evolution of international financial practices and market characteristics"*.

In his Second Reading Speech on the Bill, Parliamentary Secretary for Trade Mr Kelvin Thomson stated:

"While the Productivity Commission report found that market failures are most likely to affect small and medium-sized enterprises with limited export experience, EFIC's new mandate will not preclude it from supporting larger firms where they too face market failures, particularly when doing business in emerging and frontier markets."

The Bill's Explanatory Memorandum confirms the Bill would *"not preclude EFIC supporting non-SMEs, provided the market failure test is met. The amendments also*

do not preclude EFIC supporting projects receiving private sector support, where this support falls short of the total required.”

GE recommends the Committee consider and in turn, the Minister, consult stakeholders and carefully consider the definition of “market failure” in future regulation, its workability for SMEs and others, and the application of similar tests by other ECAs.

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