



THE HON ANDREW ROBB AO MP

MINISTER FOR TRADE AND INVESTMENT



04 FEB 2015

Senator Chris Back
Chair
Foreign Affairs, Defence and Trade Committee
Department of the Senate
Parliament House
CANBERRA ACT 2600

Chris

Dear Senator

Thank you for the opportunity to provide a submission to the Inquiry on the Export Finance and Insurance Corporation Amendment (Direct Lending and Other Measures) Bill 2014 ('the Bill'). As you are aware, my Department delivered a written submission on 16 January, 2015 which strongly supports the Bill.

The Government recognises the challenges small and medium enterprises (SMEs) encounter in obtaining finance and is expanding EFIC's powers to finance SMEs seeking to capitalise on global trade opportunities. The vast majority of Australia's exporters are SMEs, but traditionally they find it more difficult to secure export finance through banks, particularly when exporting to emerging markets.

Australian Bureau of Statistics data shows that only five per cent of Australian goods exports are capital goods. Under the current EFIC Act, EFIC can lend directly in support of capital goods but not all goods. This means EFIC cannot lend for exports of many of the products in which Australia excels, like pharmaceuticals, food and wine. The Bill will allow EFIC to lend for the other 95 per cent of exports, substantially improving the export potential of Australian SMEs.

This amendment will also support the Government's deregulation agenda and benefit exporters by reducing the time and paperwork required to access EFIC support. The new direct lending arrangements will remove the need for exporters of non-capital goods to obtain a guarantee from EFIC before they can secure funds from a bank, which doubles the due diligence processing time and requires two sets of documentation and legal fees.

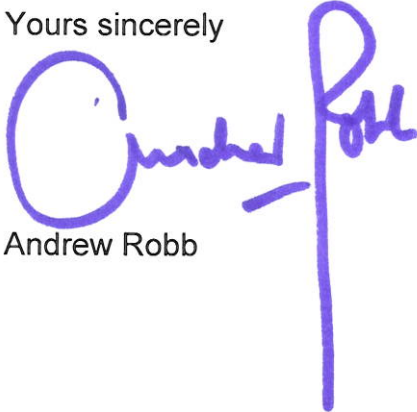
To ensure these changes do not bring EFIC into direct competition with private sector financiers, the Government has decided to apply competitive neutrality principles to EFIC's activities. This also implements the recommendation on competitive neutrality in the 2012 Productivity Commission Report on Australia's Export Credit Arrangements.

To achieve this change, the Bill provides for EFIC to pay a debt neutrality charge and a tax-equivalent payment to the Government. This will allow EFIC to help commercially viable exporters overcome financial barriers without discouraging private sector participation in the market.

In conclusion, the amendments in this Bill will be of particular benefit to SMEs, the engine room of our economy, while at the same time aligning with the Government's commitment to reduce business compliance costs by \$1 billion per annum.

I thank you and the other members of the Committee for considering the merits of this Bill on behalf of the Senate.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Andrew Robb". The signature is stylized, with a large initial "A" and a long vertical stroke extending downwards from the end of the name.

Andrew Robb