Australian Government

EFIC
Export Finance
& Insurance Corporation

Submission No: 43
Date Received: 15/03/10
Secretary:

12 March 2010
House of Representatives
PO Box 6021
Parliament House
Canberra ACT 2600

Dear Mr. Luttrell,

Please find enclosed Export Finance and Insurance Corporation's (EFIC) submission to the Joint Standing Committee on Foreign Affairs, Defence and Trade inquiry into Australia's Trade and Investment Relations with Asia, the Pacific and the Americas.

As requested my return address and contact telephone number is:

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This submission has been authorised by EFIC Managing Director and CEO, Angus Armour.

Yours faithfully

Mathew Hocken

Government and Industry Relations

Inquiry into Australia's Trade and Investment Relations with Asia, the Pacific and the Americas

EFIC submission to the Joint Standing Committee on Foreign Affairs, Defence and Trade

12 March 2010

Executive summary

Exporters and overseas investors need credit to finance trade. Trade finance is primarily provided and supported by banks and credit insurers. Export Credit Agencies (ECAs), such as Australia's Export Finance and Insurance Corporation (EFIC) also play an important role in providing trade finance in the market gap; where commercial sector financiers and/or insurers capacity is limited, or insufficient to support exporters and investors.

EFIC provides finance and insurance solutions to help Australian exporters overcome the financial barriers they face when growing their business overseas. In 2008-09 EFIC managed total global exposures of $2.6 billion, with nearly 70 per cent, or over $1.8 billion, relating to the three regions concerned with this submission.[1] EFIC's business, as measured by exposures, is principally to Asia with around $1.1 billion; the Americas account for $408 million; and the Pacific for $341 million.

During the last financial year (2008-2009) EFIC provided new facilities on its Commercial Account to Australian exporters and overseas investors in Asia of $263.7 million, the Americas $62.3 million and the Pacific $17 million, which underpinned exports and overseas contracts for Australian companies worth $630.9 million in Asia, $85.7 million in the Pacific and $75.1 million in the Americas. In terms of sectors supported in 2008-09, EFIC financed $425 million of mining activities and $183.7 million for construction activities to Asia, whilst manufacturing was principally directed to the Pacific with EFIC financing $62.8 million. A further $74.7million of EFIC finance was provided for the export of ships to the Americas.

There are a number of emerging issues in trade finance that will have an impact on Australia's trade relationships with Asia, the Americas and the Pacific. In response to the Global Economic Crisis (GEC), governments, ECAs, Export Import Banks (EXIM banks) and multilateral development institutions introduced a range of trade finance programs aimed at encouraging the resumption of trade flows and removing the risk of further disruption to trade and trade finance levels. Guarantee and funding programs were adopted at multi-national and national level, new policy measures were introduced, such as targeted support for specific sectors (including automotive, shipping, and SMEs), and some governments have revisited and expanded ECAs' mandates.

An important barometer for access to trade finance is the short term credit insurance market which was under significant stress during the GEC. Access to credit insurance seems to have stabilised, however, there remains a risk of a further step down in credit insurance capacity as ratings agencies and reinsurers continue to review the performance of primary credit insurers. In addition, certain sectors (such as wool, textile, retail, construction and automobile) and targeted export destinations have been negatively impacted more than others. A key issue now for exporters is the extent to which capacity in the market will recover, enabling broad access for exporters, including SMEs, to credit insurance. More stringent risk assessments by financial institutions and more formal

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[1] EFIC maximum exposures as at 30 June 2009, EFIC Annual Report 2009. Figures provided in this submission regarding EFIC business are in Australian dollars, as at 30 June 2009, unless stated otherwise.

information requests for accounting records present further issues, particularly for SMEs, to overcome.

Australia’s medium term economic prospects are undoubtedly closely linked to Asia. This relationship of interdependence helped reduce the impact of the global recession on Australia’s export performance. However, this close relationship and narrowing of Australia’s export base brings with it the risk that business cycles, and any possible shocks, in the rapidly developing large economies of China and India will increasingly affect Australian businesses and its economy.

Whilst there is a growing trend for exporters to move from a build and ship model towards integration into overseas supply and distribution networks, sustaining Australian financing and investment in those international networks is challenging. The development of ‘business models’ which attract Australian financial sector support is crucial to success and greater support by financial institutions. The recent announcement by the Minister of Trade to expand EFIC’s powers to support SMEs establishing global supply and distribution chains, is a timely policy initiative to assist in addressing this issue.

Whilst exports account for 22 per cent of Australia’s GDP, the Mortimer Review of Trade Policy found a relatively limited understanding of the role of trade finance. An important element in increasing Australia’s trade flows with regional partners is to increase Australian companies understanding of how they can access trade finance and how they might structure their business to do so. To address this need EFIC is developing an internet site called Export Finance Navigator, a trade finance information and referral service, to help SMEs learn more about trade finance.

1. Introduction

Businesses need credit to finance their activities, whether they are operating domestically or across borders. There are specific challenges for businesses entering into cross border transactions; commercial risks such as the default or insolvency of an overseas buyer may be more difficult to assess; lengthy periods between agreement of the export contract, shipment and final delivery of goods must be financed and risks allocated between parties; and political risks such as non payment of an export contract due to the actions of an importer's government, must also be considered by the exporter. Commercial banks and credit insurers play a central role in helping exporters to mitigate these risks and provide finance to enable trade. Export Credit Agencies (ECAs) also play an important role in providing trade finance in the market gap. Exports insured or financed by the 50 ECAs that are members of the Berne Union (the International Union of Credit & Investment Insurers) account for over US$1.5 trillion, or 10% of world trade.

EFIC is the Australian Government's ECA. It is a self-funding statutory corporation wholly-owned by the Commonwealth of Australia to which it pays a dividend each year. EFIC has been in operation for over 50 years and was established in its current form under the Export Finance and Insurance Corporation Act 1991 (the EFIC Act). EFIC reports to the Minister of Trade and is part of the Department of Foreign Affairs and Trade portfolio. In addition to providing services to exporters, EFIC provides expertise and support on trade finance issues in support of Australia's commitments and participation in international institutions such as the OECD, WTO, Paris Club and regional fora. EFIC supports transactions primarily on its Commercial Account. The EFIC Act also provides for EFIC to enter into transactions on the Government's National Interest Account (NIA). The Minister for Trade may approve, or direct, EFIC to enter into transactions on the NIA, following consultation with ministers in cabinet.

2. Role of EFIC

EFIC provides finance and insurance solutions to help Australian exporters overcome the financial barriers they face when growing their business overseas. EFIC works directly with exporters or with exporters' banks to provide loans, guarantees, bonds and insurance products, which can be tailored to meet the needs of both large and small exporters. EFIC is self funded and operates on a commercial basis, charging customers fees and premiums, and earning interest on loans and investments, including the investment of EFIC capital, reserves and working capital.

EFIC adheres to the Organisation for Economic Co-operation and Development (OECD) Arrangement on Officially Supported Export Credits, which seeks to foster a level playing field and avoid State subsidies by setting out limitations on terms and conditions that may be officially supported. When considering potential transactions EFIC practises responsible lending and upholds social and environmental best practice. EFIC's Environment Policy is based on the OECD Recommendation on Common Approaches on the Environment and Officially Supported Export Credits. In addition in March 2009, EFIC voluntarily adopted the Equator Principles, which is a complementary set of global standards for environmental and social assessment for project finance.

EFIC is mandated to perform its functions in the market gap; that is the segment of the credit and insurance market where the capacity of commercial sector financiers and/or insurers is limited or insufficient to support the need of Australian exporters and investors. This may be the case where the commercial market finds the risks impossible to assess or manage profitably, particularly for certain political risks, or very large or long-term risks, or risks in some overseas markets.

EFIC considers each transaction presented to it for conformity with the market gap mandate to ensure its activities supplement and do not compete directly with commercial providers of export finance and credit insurance. EFIC prices at, or above, market rates to reflect additional risk, or additional services provided and by so doing, EFIC encourages the private sector to fill the gap, where it can do so. Indeed one of EFIC's functions is to encourage banks, other financiers and insurers to support exports and overseas investments. EFIC participation in transactions often encourages private sector participation to share the risks involved in an export contract or overseas investment.

EFIC provides the following products to assist Australian companies exporting and investing oversees:

To compete for and win export contracts:

- buyer finance: direct loans and export finance guarantees (EFGs)
- advance payment bonds, performance bonds and warranty bonds
- a US bonding line (licensed surety provider fronting for EFIC in the US market)

To finance export activities:

- EFIC Headway working capital guarantees
- buyer finance: direct loans and EFGs
- documentary credit guarantees
- advance payment bonds and performance bonds

To protect Australian companies' export contract payments and overseas investments:

- export payments insurance
- unfair bond calling insurance
- political risk insurance
- documentary credit guarantees

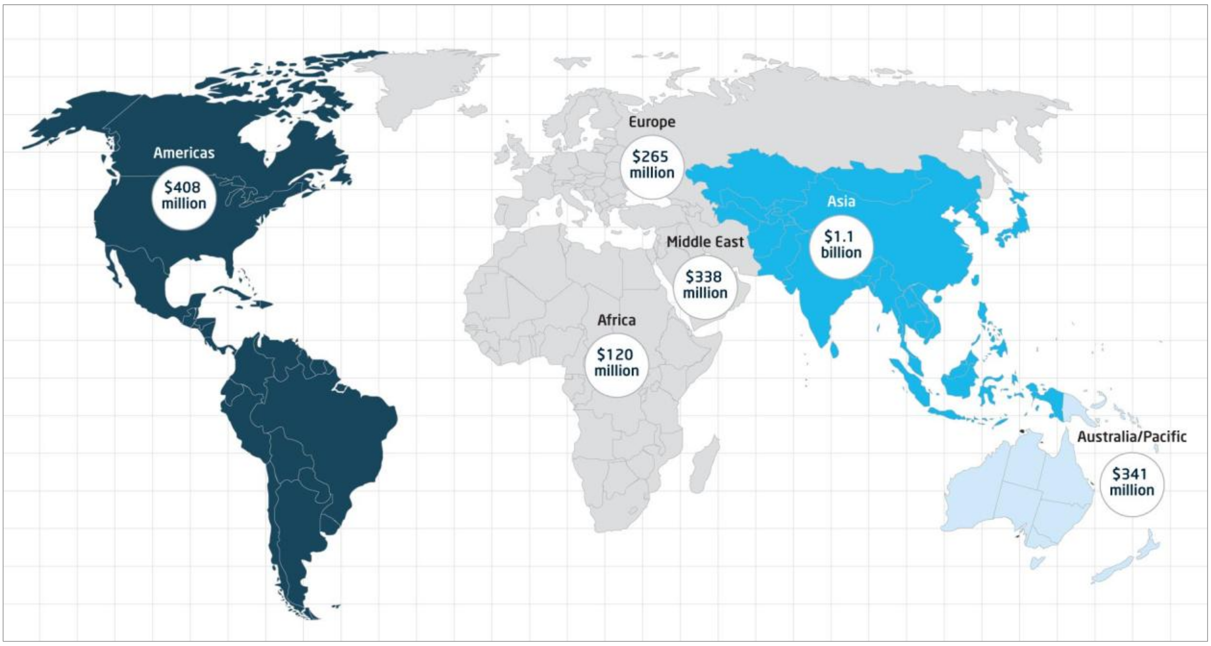
Further information can be found on EFIC's website http://www.efic.gov.au

3. Existing trade and investment relations in the region

EFIC's mandate is to support Australian exporters and overseas investors. Accordingly, EFIC receives inquiries from and is open to support businesses operating in different sectors and geographies worldwide. Practically, this means EFIC responds within its mandate to approaches from businesses, or lending institutions, who seek its assistance. The shifting patterns of its business reflect a number of drivers, including Australian export trends, private financial market appetite and a constantly shifting and evolving market gap.

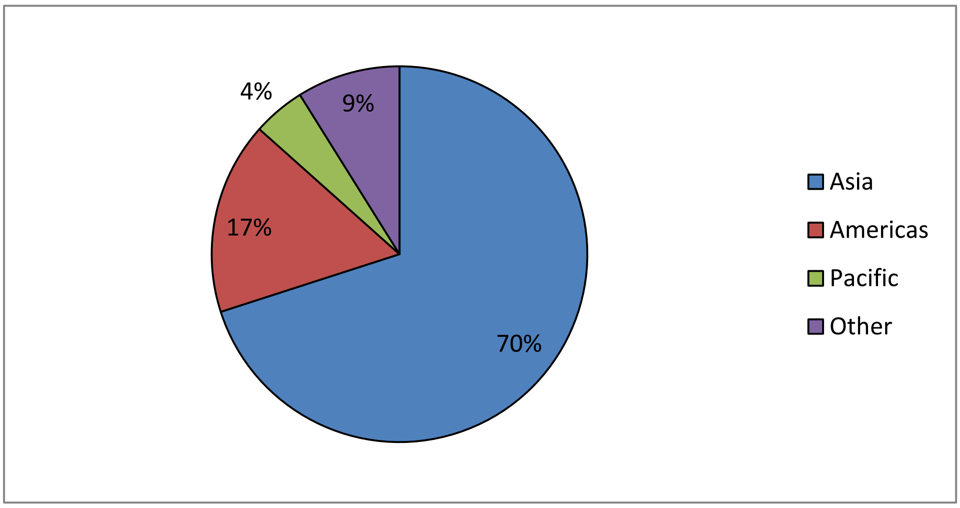
EFIC managed total maximum exposures of $2.6 billion globally in 2008-2009, with nearly 70 per cent of this, or over $1.8 billion, relating to the three regions concerned with this submission. EFIC exposures include loans, guarantees, political risk insurance, bonds, medium term export payments insurance and other insurance, with facilities varying in maturity up to 15 years. The distribution of EFIC's business, as reflected in exposures, is principally to Asia with $1.1 billion; the Americas account for $408 million; and the Pacific, $341 million. EFIC's business in Asia reflects the increasing proportion of Australian exports to that region. Recent trade data provided by the Reserve Bank of Australia shows that Australia's four most important merchandise export destinations in 2009 were China, Japan, South Korea and India, with the fifth largest being the Unites States.

EFIC total exposures by region, 30 June 2009



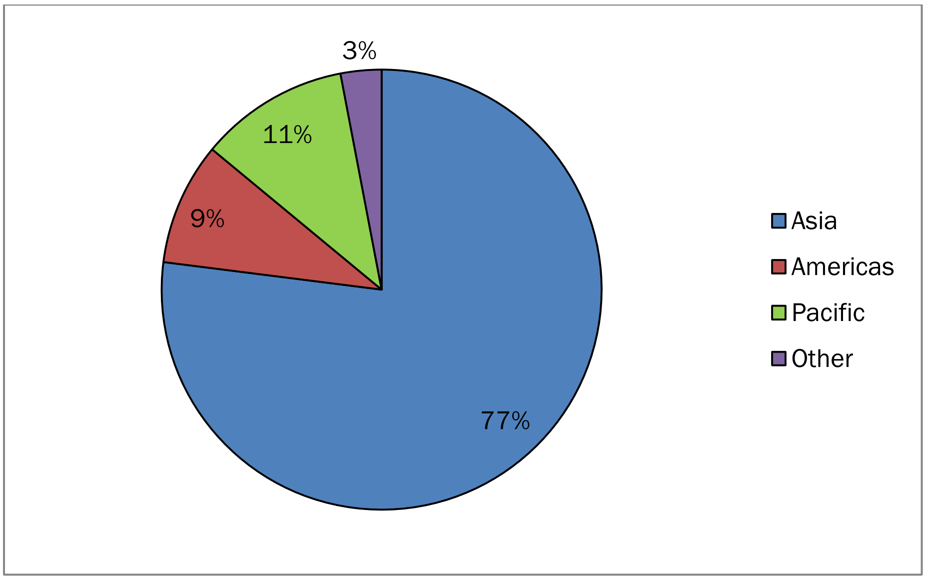
EFIC signings by region

In 2008-2009 EFIC provided support on its Commercial Account to exporters with facilities totalling $376.5 million. Asia accounted for $263.7 million of this new business, the Pacific $17 million and the Americas $62.3 million.



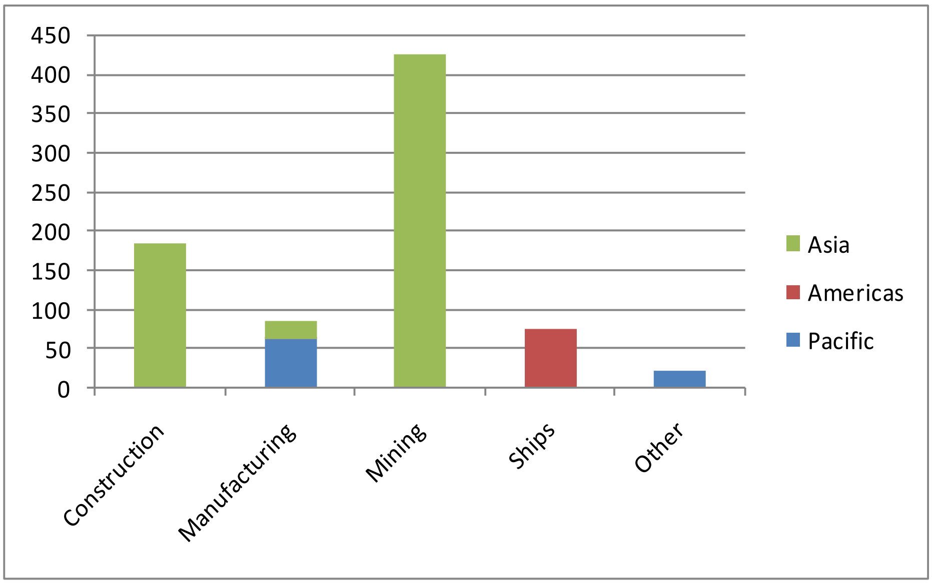
Exports supported by region

During 2008-09, EFIC Commercial Account facilities underpinned exports and overseas contracts for Australian companies of more than $0.8 billion, with $630.9 million supported in Asia, $85.7 million in the Pacific and $75.1million to the Americas.



Exports supported by sector

In 2008-09 EFIC Commercial Account support for mining and construction activities were directed towards Asia (respectively $425 million and $183.7 million), manufacturing principally towards the Pacific ($62.8 million) and shipping towards the Americas ($74.7 million).



4. Emerging trends

4.1 Government responses to the GEC

The GEC brought a profound shift in private market assessment of risk and a renewed focus on the instruments and use of trade finance. In seeking to promote recovery and address both diminished liquidity and the lack of risk appetite by commercial market players, governments have mobilised a variety of trade finance initiatives.

Internationally, the G20 group of nations announced in April 2009 they would provide US$250 billion over the next two years to support trade finance. Individual countries have injected large amounts of money into trade finance, for example China this year provided US$15 billion for a commercial credit program including US$1.7 billion of preferential loans and US$13.3 billion commercial loans to the ASEAN countries. Japan also notably initiated a new line of trade insurance amounting to US$20 billion aimed at promoting infrastructure improvement projects in Asia.

In addition governments have shown a willingness to revisit and expand the mandates of their ECAs, or introduce new measures on a temporary basis. For example, some OECD ECAs are allowing greater flexibility in the application of terms, tenors and conditions when defining eligibility for support, or introducing new or enhanced products. New approaches, including targeted support for specific sectors (including automotive, shipping, and SMEs), partnering more closely with commercial banks through refinancing, recapitalization or on-lending arrangements, and new powers to provide domestic credit, have also been adopted by selected ECAs, often on a temporary basis.

These policy measures have had a mixed record, with some measures filling genuine gaps in the market and others failing to generate significant take up. Data from the Berne Union suggests a net positive impact from these measures, with total ECA support for capital goods exports through 2009 8 per cent higher compared to 2008. Debate is also continuing around the future role of government in the credit insurance market. Some ECAs including in the UK, France, Denmark, Spain, Netherlands, Portugal, New Zealand, Sweden and Luxembourg have re-entered the short term credit insurance market, although take up of these schemes remains mixed.

The funding assigned for financing trade and the programs introduced by governments on a unilateral, bilateral or multilateral basis have added stimulus to trade and will likely continue for the next two to three years. Whilst it is too early to make any conclusions on the effect of these programs it is clear they will have an effect on the way trade is financed. Some of the temporary measures taken to-date to fill the void vacated by the commercial market, for example, may, by necessity, be in place longer than originally envisaged.

A further result of the GEC, and a positive development for increasing understanding between trade partners, has been a significant increase in regional and international dialogue, which has fostered and developed bilateral and multilateral relationships particularly in the Asia Pacific region. For example, EFIC actively participated in a meeting of CEOs of Asian ECAs, which took place in Bangkok in 2009 and will host a similar meeting in 2010 in Australia.

4.2 The new trade finance environment

Trade finance conditions have generally improved and stabilised since the height of the economic crisis but credit conditions remain tighter than the recent past. Whilst the issue of liquidity has receded, a key issue for exporters are changes in risk assessment by financial institutions. The adaption of risk assessment frameworks, and risk aversion reflecting a riskier operating environment and the need of financial institutions seeking to repair their balance sheets have caused shifts in the availability and use of trade finance instruments.

The short term credit insurance market has been under significant stress during the GEC. At the height of the crisis insurance cover was restricted, and for some countries cover was withdrawn altogether. Access to credit insurance seems to have stabilised, however, there remains a risk of a further step down in credit insurance capacity as ratings agencies and reinsurers continue to review the performance of credit insurers. A key issue now for exporters is the extent to which capacity in the market will recover, enabling broad access for exporters, including SMEs, to credit insurance. As a result of the crisis alternative, but also more expensive methods of finance, such as letters of credit are now more in demand.

> <u>Examples of trade finance instruments</u>
>
> Short Term Credit Insurance
>
> Credit insurance protects exporters against the risk of non-payment by overseas buyers for defined commercial and/or political events. By reducing financial risk, credit insurance can enable exporters to offer competitive extended payment terms to buyers, and may also provide access to additional working capital finance by enhancing the security provided to banks.
>
> Letters of credit
>
> A letter of credit is a conditional guarantee of payment, in which an overseas bank assumes responsibility for paying the exporter after goods have been shipped provided all the required documents, such as shipping documents, insurance policies, commercial invoices and regulatory documents are presented. A documentary credit is a separate contract from an export contract where the parties concerned deal with documents and not the goods or services to which the documents relate. It is widely used in international trade, as it offers both the exporter and the buyer a degree of protection.

As a result of the GEC, financial institutions, including banks and credit insurers have enhanced their diligence and credit assessment frameworks. This has led to a greater demand on businesses seeking finance to provide more detailed information. In some cases, particularly SMEs, where the quality and availability of financial information may be lacking, new credit assessment practices mean that finance will not be provided. Education and support to assist Australian business, particularly SMEs, to enhance their governance and reporting, as well as their understanding of the role of trade finance would be useful to help address this issue.

4.3 International financial regulation

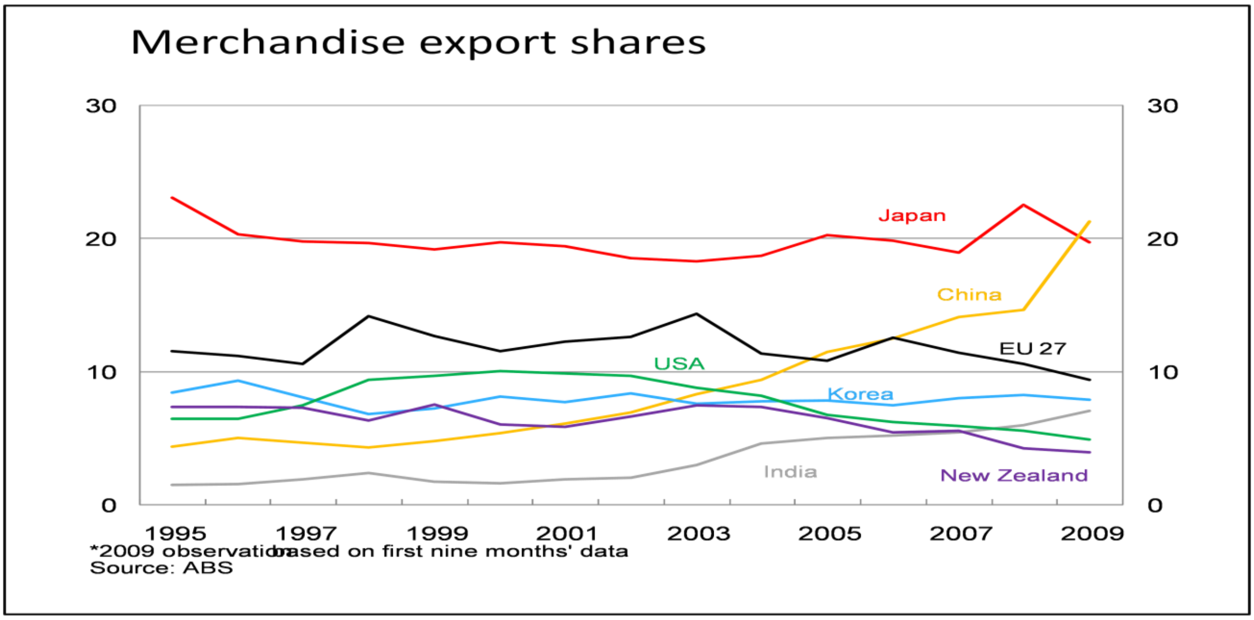
The GEC demonstrated the close integration of financial systems globally and the risks of contagion when one market experiences a disruption. In response, governments have sought to find ways to develop greater policy reach and work together through global fora to seek to prevent and manage these risks. One such international initiative is the Group of Twenty (G20) review of financial regulation, including Basel II. The risk capital weightings under Basel II have discouraged some banks from trade finance lending through the application of a one year maturity floor for all lending facilities including trade finance, despite trade finance having a shorter maturity of generally no longer than 180 days. In the view of some the capital costs of trade finance have to some extent been inflated. The proposed review of these standards provides an opportunity to revisit this issue. The importance of promoting access to trade finance in developing Australia's trading links with our partner regions should be considered as part of international discussions.

4.4 Funding international business

Whilst exporting, as the traditional way to internationalise, is still very important, participation in international supply and distribution chains is increasingly the way Australian firms develop their overseas activities. Indeed multi-nationals, foreign investors and regional and global supply chains are accounting for an increased proportion of both Australian and international trading activity.[2] For companies to succeed in establishing these international value adding chains, they must secure finance. An issue that has emerged, following the withdrawal of a number of foreign banks as a result of the GEC, is where finance can be obtained for this growing area. The development of 'business models' which attract Australian financial sector support is crucial to success and greater support by financial institutions.

4.5 Regional Risk

Australia's export relationships have changed significantly over the past decade. This largely reflects the rise of China and more recently India (see chart below). In 2009, China surpassed Japan as Australia's largest export market, with its share of Australia's merchandise exports quadrupling from five per cent in 1999 to 20 per cent. The share of merchandise exports to India



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[2] EFIC's Global Readiness Index (GRi) Survey 2008 showed that sales by overseas branches, subsidiaries and joint ventures of Australian companies exceeded the value of Australian-owned goods and services exports. http://www.efic.gov.au/country/globalreadinessindex/Pages/2008annualglobalreadinessindex.aspx

has also risen strongly, from two per cent a decade ago to seven per cent. It is now Australia's fourth largest export market.

Overall, nearly 70 per cent of Australia's merchandise exports now go to Asia, up from 50 per cent 20 years ago. This rise has been underpinned by increased demand for Australia's resources, particularly the bulk commodities, iron ore and coal, to support the region's rapid industrialisation. As China and India are still at early stages of development, with per capita incomes of around US$2000 and US$1000, respectively, the share of Australian exports going to Asia will probably continue to rise strongly over the longer-term.

Perhaps surprisingly, the increasing share of exports going to China and India has not come at the expense of Australia's other large Asian markets, Japan and Korea, rather the shift has resulted in changes of export volumes from the United States, New Zealand, and the European Union. The share of exports to the US has dropped from 10 per cent in 2000 to five per cent today and exports to the Pacific Islands have remained small at around one per cent, consistent with the small size of the Pacific Island economies.

A closer export relationship with Asia has helped mute the impact of the global recession on Australia's export performance. While in September 2009, the value of Australian exports was 26 per cent below its October 2008 peak, it is still above early 2008 levels. This reflects the fact that commodity prices remain well above historical norms; in November 2009 the RBA commodity price index (excluding rural commodities) was 30 per cent lower than its September 2008 peak, but 95 per cent higher than its 20 year average. Export volumes have also remained resilient, at only 0.2 per cent lower over the year to September quarter 2009. Any drop in export demand from OECD countries has been offset by increased demand for resource exports, particularly from China where activity – notably investment – continues to grow rapidly.

The increasingly close export relationship with Asia has been and will be very beneficial, but is not without possible drawbacks, notably:

- Greater export and macroeconomic volatility. Any shocks in the Chinese or Indian economies could have a significant impact on Australian exports. While both economies have been resilient through the current deep recession, as with many emerging markets these economies have significant structural problems that need to be overcome, and could impact on future growth if not addressed, for examples, a widening income gap between rich and poor, underdeveloped credit markets, and in China a rapidly ageing population and focus on export-led growth.

- A narrowing of Australia's export and economic base. The competiveness of the non-resource sector could suffer, as labour and capital is drawn into the faster growing resources sector. Higher commodity prices will also keep the Australian dollar well above its historical average. Already, resources account for over 50 per cent of total exports (see chart). While the share of service exports has held steady at around 20 per cent, the share of manufactured goods exports has shrunk from an average of 17 per cent in the 1990s to 12 per cent in 2008.[3]

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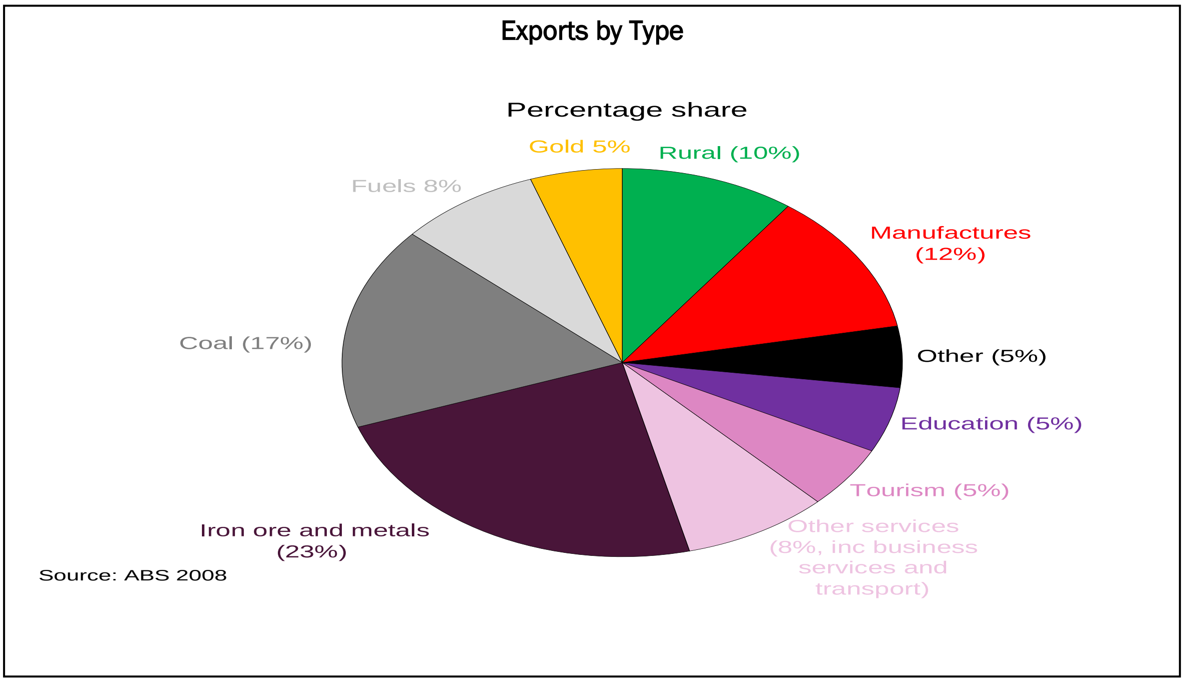
[3] Defined here as machinery, transport equipment and other. It excludes base metals and manufactured food.



5. Role of government in assisting Australian companies

5.1 Support for international supply and distribution chains

Many Australian businesses have adapted to the competitive pressures of globalisation by diversifying their procurement and using supply chains to remain competitive. In response to the growing need for finance in this area, on 15 September 2009 the Minister for Trade, the Hon Simon Crean, formally announced the decision to expand EFIC's powers. The new powers will give EFIC the ability to support SMEs undertaking a broader range of transactions, including establishing global supply and distribution chains. This change will give EFIC more capacity to support their export efforts and align its policy to that of Australia's ECA competitors, putting Australian exporters on a level playing field when seeking EFIC's support.

To be eligible for EFIC support under the expanded powers, an SME will need to demonstrate that its planned activity will result in a net economic benefit to Australia. In applying the net economic benefit test, EFIC will consider factors including forecast increases in the SMEs exports, dividend flows and revenues from overseas, overseas market share and access to new overseas markets. Legislative change to the EFIC Act is required to implement these changes, which is expected to be introduced in the first half of 2010.

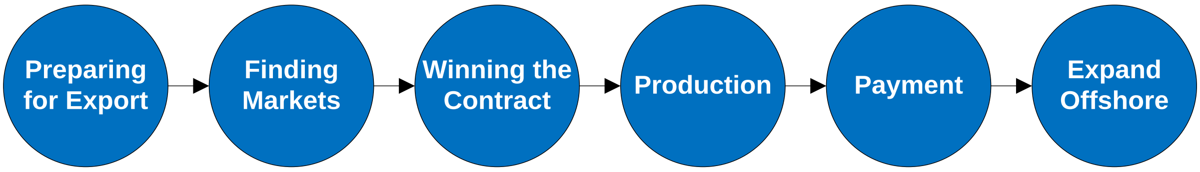
5.2 Information on export finance

The Mortimer Review identified the need for "an independent source of advice and information on export financing, including referrals to commercial service providers as well as to other sources of government financial assistance"[4]. In response EFIC is developing an online resource of financing

[4] Review of Export Policies and Programs, 2008 "The Mortimer Review"
http://www.dfat.gov.au/publications/mortimer_report/mortimer_report.pdf

solutions for Australian SME exporters. This new service, which is called the Export Finance Navigator, will be launched in May 2010 and will provide:

- a comprehensive listing and description of key financial instruments relevant to exporters and offshore investors at varying stages of the export transaction cycle.



- a directory of commercial service providers for export finance products
- a directory and summary of key government programmes – at both state and federal level – that provide *financial* assistance to exporters.

The scope of the EFIC Export Finance Navigator will be limited to the financial issues encountered by Australian SME exporters and offshore investors. The service will provide a description at each stage of the export cycle providing for self-identification by the exporter, information on the key financial issues and risks, the role of finance in managing those risks, a summary of key Financial Instruments, as well as information on Federal and State Government Grants and Tax Concessions. EFIC and Austrade are looking at the possibility of developing a series of workshops on the issues covered by Navigator in 2010.

5.3 SMEs – an important market gap

National frontiers represent a significant barrier to expanding business for many SMEs, and extending activities beyond Australia often requires comparatively large additional investment and use of scarce resources. SMEs in Australia and globally typically list access to finance as amongst their top concerns and indeed research undertaken via EFIC's Global Readiness Index (GRi) in February 2009 has confirmed that the single largest limitation experienced by SME exporters in growing their businesses overseas remains access to finance.[5] EFIC support for larger transactions is relatively well known and this continues to be a vitally important area of our business. Additionally, EFIC have recently sought to increase our support for SMEs through a revision of our existing SME products, development of new products and a refocussing of our strategy in order to better serve the needs of SME exporters and investors.

EFIC has reviewed its primary SME focussed product, EFIC Headway and refined and repositioned this product. Headway will maintain its form as a guarantee from EFIC to a SME's participating bank providing security for the bank to lend extra funds, but will be repositioned to serve the micro business sector and individual transaction amounts will now be capped at $0.25 million. Headway is an extension to facilities with a participating bank and supports general export funding rather than a specific export transaction or contract.

[5] EFIC 2009 GRi http://www.efic.gov.au/country/globalreadinessindex/Pages/Request2009FullNationalReport.aspx

EFIC will also (re) introduce the Export Working Capital Guarantee (EWCG). The EWCG is designed to provide export working capital to SME's which is not available from traditional finance sources. It is an on-demand guarantee provided to an exporter's bank to enable the funding of the working capital needs of the exporter. The guarantee is structured around the terms of specific export contracts, with payments tailored on the basis of the underlying cash flows of those contracts. The ECWG is a transactional facility, provided to cover the financial needs of a specific export transaction, or group of transactions, where the transactional risk is not within the lender's scope, or (the type of) security provided is not acceptable to the bank. As it is structured around specific export contracts, or exports sales relationships to specific overseas buyers, it is self liquidating in nature as the funding is repaid upon receipt of payment for the exported goods or services by the buyer.

Annex

Assisting Australian Companies – case studies

EFIC frequently works collaboratively with banks, or credit insurers to develop a financial package to enable exporters to finance their operations. The following case studies give some practical examples of how EFIC can assist Australian companies.

1. Parnell Laboratories (Australia) Pty Ltd

Parnell Laboratories (Australia) Pty Ltd, a leading innovator in veterinary pharmaceuticals, needed additional funding for a new manufacturing facility in Sydney's inner south to support its expanding export business. EFIC provided an EFIC Headway working capital guarantee to Parnell's bank, NAB, to enable the bank to lend additional working capital funds to the growing exporter.

EFIC Headway is a guarantee which enables eligible SME exporters to access additional working capital from their bank, without requiring further security. Parnell's international expansion is dependent on the construction of a world-leading pharmaceutical manufacturing facility, which is a significant investment for Parnell and would not have been possible without the EFIC Headway working capital guarantee to supplement bank finance.

The new plant has extensive biosecurity features in order to meet the US Food and Drug Administration's quality standards. It will be one of only three such facilities worldwide – excluding plants owned by the multinational pharmaceutical companies – licensed by the US FDA to contract-manufacture high-potency pharmaceuticals for sale in the United States. Parnell was founded nearly 50 years ago to manufacture veterinary pharmaceuticals to serve Australia's pastoral industry. The company has since developed and launched over 60 products for companion, production and performance animals across anaesthesia, anti-inflammatories, osteoarthritis, minerals, reproductive hormones, anti-infectives and clinic essentials.

2. Multitrode Pty Ltd

Brisbane-based MultiTrode Pty Ltd is a specialist in pump station technology for water and wastewater utilities around the world, with offices in the United States and the United Kingdom.

In 2008 the company won a contract to supply and install its innovative monitoring equipment at waste facilities for a city municipality in the north-eastern United States. EFIC underwrote a US$400,000 performance bond to help MultiTrode secure the US contract. The bond was issued under an ongoing arrangement between EFIC and Liberty Mutual Insurance Company, one of the largest surety bond providers in the United States. In the United States, many companies expect contractors to provide performance bonds to guarantee 100 per cent of the value of the work they are contracted to provide, particularly in situations that are complex or technically difficult.

The relationship between EFIC and Liberty Mutual makes it easy for EFIC to offer eligible SME exporters ready access to performance bonds in the US market. EFIC's support enabled a performance bond to be issued without tying up significant amounts of additional working capital, which helped free up funds for growing the export business.

3. Leighton Holdings

EFIC supported Leighton Holdings Limited (Leighton) with financing to assist Australia's largest construction and contract mining group in delivering a number of mining services contracts in Indonesia.

Growth in its Indonesian operations meant the Leighton Group needed to expand its existing mining fleet and equipment. Leighton has strong business fundamentals, but approached EFIC for assistance as it had reached its approved offshore leasing limits with its banks.

EFIC entered into a direct loan agreement with ANZ to provide up to US$150m to finance 85% of a leasing facility for Leighton's Indonesian subsidiaries, PT Leighton Contractors Indonesia and PT Thiess Contractors Indonesia. The facility supports the leasing of mobile mining fleet and equipment for use in their contract mining operations. ANZ will finance the remaining 15%. The loans are supported by a comprehensive Leighton indemnity and a guarantee from certain Leighton Group entities.