

## **Dissenting report by Labor senators**

1.1 Labor Senators support the role of the Export Finance and Insurance Corporation (Efic) and the importance of providing financial support to Australian businesses in their endeavour to export their goods and services.

1.2 While the Export and Insurance Corporation Amendment (Support for Commonwealth Entities) Bill 2016 (the bill) seeks to provide greater assistance to Australian businesses, certain changes to the second amendment have raised major concerns of negative consequences.

1.3 These changes are specific to the definition of an 'eligible export transaction', in particular removing the local content requirement clause.

1.4 The chair's report highlights a number of the negative consequences addressed by the submitters and these include:

- offshoring of Australian jobs;
- removal of incentives to produce or manufacture in Australia;
- deprive companies who produce in Australia of financial assistance;
- provide advantages to overseas competitors of Australian companies; and
- allow companies that are only nominally Australian to access financial assistance from the Australian Government.

1.5 However the Chair's report ignores this evidence and does not offer any solutions to the problems identified.

1.6 Given the below evidence submitted to the Committee, Labor Senators do not agree with the recommendation contained within the report.

1.7 AFTINET:

It is a reasonable and in fact modest requirement that firms receiving support from Efic actually produce goods and/or services in Australia and employ Australians. It provides ample flexibility for firms to have offshore operations where required.

In the absence of such a requirement, there would be no incentive for firms receiving Efic loans to have any Australian content. This would lead to the perverse situation of an Australian government institution being able to provide support for firms providing no employment in Australia.

The removal of local content requirements from the legislation would enable firms based in Australia but providing no local employment to have access to Efic support. It would provide no incentive for firms to continue to conduct operations in Australia and provide local employment.<sup>1</sup>

1.8 The Australia Institute:

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1 Australian Fair Trade and Investment Network, *Submission 7*, pp 3–5.

While the change to specifically recognise service exports may be desirable, the current proposed amendment seems to remove any focus on products that are produced in Australia. The effect of this could be the further offshoring of Australian manufacturing. For example, a garment company based in Australia could move all production offshore, but still be eligible for Efic's services.

This has the potential to not only deprive finance to companies that produce in Australia, but also to give advantage to their competition in other countries.<sup>2</sup>

#### 1.9 ACTU:

It is in the national interest that companies which receive government loans are required to use that money in a way which benefits Australian employment. The removal of these provisions will be yet another blow to the Australian manufacturing and services sectors. It could potentially lead to jobs being offshored.<sup>3</sup>

### **Recommendation 1**

**1.10 Any company wishing to access a loan or guarantee from Efic for an overseas project must demonstrate that the loan or guarantee will result in a growth of jobs in Australia. Such a test should be legislated in the Act.**

**Senator Alex Gallacher**

**Senator Claire Moore**

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2 Jubilee Australia Research Centre and The Australia Institute, *Submission 9*, p. 8.

3 Australian Council of Trade Unions, *Submission 11*, p. 3.