

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

2017 - 2018

Division/Agency: Productivity Commission
Question No: 154
Topic: Australian's export credit agency
Reference: Hansard page 47 (31 May 2017)
Senator: Whish-Wilson, Peter

Question:

Senator WHISH-WILSON: Based on the advice you provided previously in 2012—I accept that with new information any logical person or organisation can change their mind—would the NAIF providing facilities to resource-related projects in Australia on the advice of the Efic be contrary to this advice you have provided?

Ms Chester: I do not know enough about the current arrangements to form a view and then extrapolate back to some work that we did over five years ago. Unfortunately, I am not able to give you a simple answer there.

Senator WHISH-WILSON: Perhaps if you could take that on notice—

Ms Chester: I am happy to.

Senator WHISH-WILSON: on whether, in your view, anything has changed. The clear idea that you have stated there is that Efic should not continue to provide facilities to large corporate clients or resource-related projects. Certainly, I know that when we looked at the Asian Development Bank when it came to the Senate, my party supported it conditional on exactly the same kind of stipulations around that money going to large commercial entities, particularly for resource-related projects. I would be very interested if you could take that on notice.

Ms Chester: Yes, Senator.

Answer:

The Commission's 2012 Inquiry into Australia's Export Credit Arrangements concluded that the objective of the Export Finance and Insurance Corporation (EFIC) on its Commercial Account should be to address the limited number of market failures that impede otherwise commercially viable export transactions. Finding no convincing evidence of systemic failures that impede access to finance export transactions for large firms or for resource-related projects, the Commission concluded that EFIC should not continue to provide finance to such projects. On the basis that information-related failures are likely to be limited to small and medium-sized enterprises (SMEs) with limited export experience or attempting to access emerging export markets, the Commission concluded that EFIC's role should be to demonstrate to the private sector that providing export finance to such newly exporting SMEs can be commercially viable. The Commission is aware there have since been changes to EFIC's operations, but has not reviewed them.

The Commission is aware that the NAIF eligibility differs from that of EFIC, with the focus on infrastructure and benefits relating to northern Australia rather than exports. The Commission has not done any detailed examination of NAIF facilities so as to assess consistency with the 2012 Inquiry.