



Export Council of Australia

The Voice for Australia's Exporters

29 December 2014

Foreign Affairs, Defence and Trade Committee
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600

Sent by email to: fadt.sen@aph.gov.au

Export Council of Australia (ECA) submission to the Foreign Affairs, Defence and Trade Legislation Committee for the Inquiry into Export Finance and Insurance Corporation Amendment (direct lending and other measures) Bill 2014 (“the Bill”).

A not-for-profit, membership based organisation, the ECA is the peak industry body representing Australia's exporters and importers, particularly SMEs. With a membership base of 1,000 and a reach of 15,000, the ECA represents companies of all sizes and across a wide range of industries. The ECA's core activities include research, advocacy, skills development and events.

The ECA also works collaboratively with a number of Federal and State Government Departments and Agencies to advance its business and the interests of its members; these include Efic, DFAT, Austrade, the Australian Customs and Border Protection Service ("Customs"), Department of Industry and the Department of Agriculture.

Efic is focused on supporting SME exporters and is increasing its level of outreach and engagement with the sector to help raise awareness about its financial solutions. The ECA and Efic have worked closely for many years and have collaborated on a numerous events and projects, including *Australia's International Business Survey (AIBS)*, which is a longitudinal study into Australian international businesses activity. In 2014, Efic also sponsored the Small Business Award at the New South Wales Export Awards, run by the ECA.

The ECA therefore welcomes the opportunity to provide a submission to the Foreign Affairs, Defence and Trade Legislation Committee for the Inquiry into Export Finance and Insurance Corporation Amendment Bill.

The Australian Institute of Export (now a division of the ECA) provided a submission to the Productivity Commission inquiry in 2012, in which the organisation expressed its support for changes to the Efic Act allowing it to remove its direct lending limitations to be able to better service SME exporters. In its 2013 Trade Policy Recommendations to Government the ECA also expressed its belief that Efic's capital resources should accurately reflect the demand for export finance and the agency's level of risk exposure, and that their mandate should be expanded, not restricted, to ensure the needs to the export



community are adequately met.

In response to the most recent inquiry, the ECA would like to reiterate the important role Efic plays in providing finance to Australian exporters and express its strong support for increasing the flexibility of Efic's lending arrangements to include the ability to lend directly to all SMEs. The AIBS research referenced above, and other surveys conducted over recent years, have all highlighted difficulties that SME businesses have experienced in accessing working capital / finance to take advantage of export opportunities.

The Bill will expand Efic's powers to allow direct lending for export transactions involving all goods, not just capital goods, and provides for competitive neutrality principles to apply to Efic's operations. With only 5% of exports from Australia being capital goods, Efic's scope to lend is currently narrow. Amending the Act will expand Efic's capacity to support Australian business, particularly SMEs.

The ECA agrees with Efic's sentiment, which was expressed during the 2012 Productivity Commission inquiry, that the restriction on loans for non-capital goods is a significant and unreasonable restraint on Efic's ability to provide direct finance to Australian exporters.

Amending the Efic Act to allow Efic the flexibility to lend directly will lead to a reduction in the amount of paperwork required, and therefore the processing time for a transaction, which is essential given the fast-paced nature of business. Reducing the administrative processes will result in lower costs that will ultimately make Efic's services more efficient for SMEs. Improving the efficiency of Efic's services will mean that those business that are not able to access finance through the commercial banking system, will have a viable alternative to seek access to finance. As Efic continues to streamline its internal processes to better respond to the needs of its clients, the Amendments outlined in the Bill will be of significant additional benefit to the SME export community.

The ECA would be pleased to make further submissions or provide additional information if so desired by the Committee.

Sincerely

A handwritten signature in black ink, appearing to read 'Lisa McAuley', written in a cursive style.

Lisa McAuley
COO
Export Council of Australia