



AUSTRALIAN CHAMBER OF  
COMMERCE AND INDUSTRY

Ms Patricia Scott  
Presiding Commissioner  
Export Credit Inquiry

Productivity Commission  
LB 2 Collins St East  
Melbourne Vic 8003

18 November 2011

Dear Ms Scott,

**Re: Australia's Export Credit Arrangements: Response to the Productivity  
Commission Issues Paper**

The Australian Chamber of Commerce and Industry (ACCI) welcomes the opportunity to provide a submission to the Productivity Commission (PC) on Australia's Export Credit Arrangements

ACCI is Australia's leading peak industry group representing over 350,000 businesses nationally. These business cover a range of sectors including engineering, construction, automotive, food, wine, transport, freight forwarding, ICT, printing, mining and services industries. ACCI's trade-related businesses number approximately 20,000.

ACCI has been a strong advocate of open markets, and recognises the important contribution trade makes to economic well-being and the development of competitive and world class industries.

We are not in a position to make specific comments about the nature of the competitive environment for the provision of trade finance and insurance products however we write in support of the work and role of EFIC in supporting Australian exporters to enter and maintain commercial arrangements in the current challenging trade circumstances.

It is our belief that EFIC provides a valuable addition to the available suite of financial products offered by commercial providers in accordance with its mandate under the EFIC Act. EFIC's activities offering includes financial products, insurance products and market information, provide support for exporters which allow them to take on additional risk or undertake transactions in situations where "normal" commercial financial arrangements would not be possible.

EFIC's provision of services have perhaps been weighted towards the larger transactions and companies but this is justified in the belief that smaller companies can then "coat tail" into the large scale projects as suppliers or inputs or services once the projects have commenced.

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It could be argued however that EFIC should more explicitly support smaller exporters, particularly when considered in the context of Austrade reforms where Austrade is also reducing its support from "traditional" markets in favour of "frontier" markets and inbound investment. We welcome the 2010 re-introduction of the export working capital guarantee by EFIC and we would support the expansion of this product offering to assist business to access capital to support the expansion of export business.

EFIC's role and product offering should be flexible and change with changing circumstances. EFIC needs to be careful not to crowd out potential commercial providers, nor to compete directly with products offered by commercial providers. In doing this though, it should endeavour to manage its product offering so that it is not creating markets "gaps" inadvertently while undertaking product evolution.

The assistance offered by EFIC should also address the issue of scale and market maturity. EFIC should be able to assist small and new exporters into relatively mature markets like Europe, North America and Japan at one level and also assist large established players to enter the "frontier markets" offered by the developing countries where commercial providers may not cope well with the sovereign risk.

EFIC, as a Government backed entity, enjoys a AAA credit rating which assists its operations and ability to deal with risk. This status allows it to operate on the financial fringes where other commercial entities are not able to provide products. EFIC clearly supports Australian exporters and export development in a way that could not be serviced by the commercial market.

We urge the Inquiry to support EFIC in its work in the contemporary trade environment.

We would be pleased to speak with you through the course of the Inquiry

Yours sincerely,

Bryan Clark  
Director, Trade and International Affairs.