

Our ref. MB:HP/032/12

7th March, 2012

Export Credit Arrangements
Productivity Commission
LB2 Collins Street East
MELBOURNE Vic 8003

Dear Sir

Subject: Productivity Commission 2012, Australia's Export Credit Arrangements, Draft Report

The Productivity Commission report on Export Credit Arrangements contain some recommendations that will restrict EFIC in providing assistance for larger corporations and also restrict the ability to assist repeatedly.

The overall theme of the draft report implies that many of the services that EFIC provides can be provided just as easily by the private sector. The report implies that Australian exporters do not need assistance in most circumstances and that large exporters never need assistance. Our view is that these recommendations are incorrect and should be removed from the report. Australian exporters have in the past few years suffered a Global Financial Crisis (GFC) and a very high Australian dollar. Exporters are struggling to compete in markets that are difficult and where competitors have assistance from Credit Agencies from other countries. The report tries to argue that EFICs activities often do not fill the brief of helping where there is a market failure. The GFC was a devastating example of market failure. Banks throughout the world withdrew credit to companies having little regard to the consequences and without taking into account their credit worthiness. Australian exporters who had assistance from EFIC during this time (whether they were large or small) were able to continue to operate. The high Australian dollar is another "market" event that is caused by Chinas demand for our raw materials. Manufactures not connected with this resource boom are punished with the market effects of the high currency.

McConnell Dowell has benefitted from the use of EFIC services directly in relation to construction projects in Mozambique, Laos, Singapore and Papua New Guinea. EFIC has helped provide insurance and bonding facilities for projects in these countries and other countries and thereby helped us win and execute the projects. Our view is that finding these services in the market would have been difficult and could have jeopardized our chances of winning the projects.

In our offshore markets we are also regularly asked to provide possible access to ECA assistance which other international competitors can offer from their home country.

Our view is that EFIC provides services that cannot be easily obtained in the broader finance market and that it is of benefit to us in securing export related construction projects. These projects benefit Australia as it creates jobs and expertise and hopefully profits. Our view is that EFICs operations/mandate should not be reduced.

Yours faithfully

D. Robinson
Chief Executive Officer