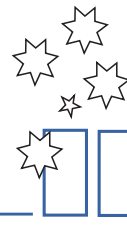




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Export Credit Arrangements
Productivity Commission
LB2 Collins Street East
Melbourne Victoria 8003

Dear Sirs

AUSTRALIA'S EXPORT CREDIT ARRANGEMENTS AND THE ROLE OF EFIC

I write to provide the views of Incat on the vital role EFIC fulfills in the export endeavours of companies such as ours.

Incat is a Tasmanian based shipbuilder, privately held and currently employing just under 300 highly skilled tradesmen. For nearly forty years, we have manufactured large aluminium high speed craft from our shipyard in Hobart, and have exported these vessels to commercial and military operators all over the world. Our largest vessels built to date are 112 metres long and carry up to 1000 passengers, along with cars, trucks and buses.

With little domestic demand for the size of vessels we produce, our business has been and continues to be predominantly export orientated. In the last five years alone, our vessels have seen service in Japan, China, Trinidad and France, just to name a few. We are currently building a 99 metre vessel for delivery to a South American customer, which will operate between Buenos Aires and Montevideo.

Our relationship with EFIC is well over twenty years old, and is highly valued. Quite simply, Incat would not have achieved the exports it has over the years without EFIC. Here follows some reasons why.

The market for our product is quite narrow. Whereas conventional style vessels may number in their thousands around the world, and be operated by very old and well established shipowners, the market for large high speed craft is relatively young (ie., post 1990), and features a higher number of start-up operators and commercial entrepreneurs keen to utilise our new and revolutionary technology. These latter types of customers often find it very difficult to secure adequate financial facilities to acquire our product, particularly if they are in geographical regions of the world with less developed economies, or regions seen as having some level of monetary or sovereign risk. Quite simply, their local and commercial banks will not provide finance to facilitate their purchase, and the acquisition (and export from Incat) would be lost without some viable financial alternative.

I can cite numerous examples where these type of customers have only been able to acquire our product on the back of a financial facility offered from EFIC. In such cases, the export and all the benefits associated with a successful export, occurred directly through the participation of EFIC, and would not have happened otherwise. This means the securing of jobs and investment in Australia, the key outcomes of a successful export.

Some years back, the banking sector was strong and vibrant and willing to lend money on what were considered 'normal' commercial terms. In that period (say, 2004 - 2008), Incat and its customers had little need to draw upon the support of EFIC. The commercial banks quite adequately provided the facilities which were needed, and the exports occurred on the back of those facilities. However, it is well known that commercial lending has severely contracted in the banking turmoil of the last few years, and today many existing and potential customers are finding it difficult, if not impossible, to secure finance. Some previously active banks have either folded, or put a blanket 'No' over any shipping exposure.

In such an environment, it is imperative that EFIC continue to be able to 'fill the gap', by way of partnering with a commercial lender in a facility or guarantee arrangement, or offering the whole exposure itself if the commercial market is unwilling or unable to back a project which is in all other respects a sensible and viable export opportunity for Australian industry. Indeed, it would be my submission that EFIC's charter be expanded, such is the seriousness of the financial situation facing Australian exporters and their potential customers.

Whether a company be large or small, the difficulties of securing export orders are very real for everyone. All companies should have access to whatever mechanisms are available to help gain an export, be it through EFIC or otherwise. Exports and exporters must be encouraged and assisted by whatever means possible. Surely that is in the best interests of the country !

There are many challenges facing Australian exporters at the present time, perhaps more so now than at any time in the last fifty years. One only has to look at the currency exchange rate, the financial disaster that is Europe and the US, and the seemingly accepted demise of Australian manufacturing in the false and short-term reliance on the county's mining and mineral interests to form that view.

Now is not the time to restrict EFIC's abilities to assist exporters. Now is the time for EFIC and exporters to jointly tackle the challenges listed above, and be given all powers necessary to do the job.

Yours sincerely

Craig Clifford
Managing Director
Incat Australia Pty Ltd