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

Re: Draft Report on Australia's Export Credit Arrangements

The draft report from the Productivity Commission on Australia's Export Credit Arrangements appears to have overlooked three key issues facing Australian companies competing in international markets:

1. The commercial banking sector is still not active nor interested in doing business in the developing world
2. Australian companies are competing against foreign companies with support from foreign ECA's
3. Opportunities in the defence and security sectors can require a Government-to-Government level of engagement.

If Australia does not have an Export Credit Agency (ECA) with the capacity and competency to support Australian companies competing against foreign companies who do have the support of their own ECA's then Australian companies will be placed at a severe disadvantage to their international competitors.

Codan Limited is an Australian-owned and Adelaide-based designer and manufacturer of communications and metal detection products. We have over 500 employees, and export over 85% of our \$170 million annual turnover to customers in 150 different countries.

Our customers include humanitarian organisations such as the UN, the Red Cross, Médecins Sans Frontières, CARE and HALO Trust.

We also supply public and private sector buyers in areas such as emergency services, transport, mining, construction, health, law enforcement, security and military applications.

In the security sector we are competing directly with US, Chinese and European companies who enjoy the support of US Exim Bank, China Exim Bank/Sinosure, Denmark EFK, Germany KfW, Spain – CESCE and others.

Opportunities in developing countries whose credit standing and risk rating either makes them unattractive to the commercial banking sector or the period of repayment of the proposed borrowing is such that the banking sector seeks a significant level of ECA support.

Developing countries are generally familiar with ECA support and many are regular recipients of ECA funding for their major capital programs. As such, we are often required to provide an indication of funding support with our tenders and we use the EFIC 'indication' letters to ensure we are at least considered in the bidding process.

The importance of having some level of government support in securing projects in developing countries also cannot be understated. It provides the buying country with confidence that we are being supported by our government and it further supports our bid by providing a government-to-government link that much of the developing world looks for in their major capital projects.

Being an Australian based manufacturing exporter is a challenge in itself. The substantial strengthening of the Australian dollar has significantly eroded our competitive advantage. We also have to deal with complex national and international regulatory environments and relatively high costs in developing new international market opportunities from an Australian base.

We need all the support we can get and if we were not able to access ECA supported funding then our competitive *disadvantage* as an Australian based company would be further exacerbated. Rather than restricting EFIC's activities the government should be looking for opportunities to expand the support EFIC provides to Australian exporters

Yours sincerely,
CODAN LIMITED

Philip M Marley
Group Commercial Manager