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20 March 2012

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

Email: exportcredit@pc.gov.au

Dear Sir / Madam

The Leighton Group (Leighton) welcomes the opportunity to comment on the Productivity Commission's draft report into Australia's export credit arrangements.

Leighton is concerned that, should the draft recommendations be adopted, the consequence will be the effective termination of our long term relationship with EFIC.

Although headquartered in Australia, Leighton is a leading international contractor with global reach. We are the world's largest contract miner, the 11th largest global contractor by revenue and our operating companies have ongoing work in some 23 countries throughout Asia, the Indian sub-continent, the Middle East and Southern Africa. Leighton has the broadest footprint of any international contractor operating in this region and we continue to see significant opportunities to grow our construction, contract mining and services offering in this part of the world.

The global financial crisis has had an impact on all businesses; even the largest companies are not immune to the lasting market disruption. Whilst Leighton uses banks globally, the Group works with EFIC when other banks have difficulty in meeting our specific business requirements. This greatly assists Leighton to win and execute business overseas.

For example, Leighton recently requested a bonding line from EFIC to support contracts in challenging jurisdictions. EFIC is able to provide bonding in circumstances when bonding lines from our banks are problematic for certain transactions. This specialist capability allows Leighton to bid for jobs with the confidence that the working capital required to enter into new contracts is readily available. Given the significant size of Leighton's order book, having EFIC's support assists Leighton in meeting its bonding requirements. In Leighton's experience, EFIC assistance does not crowd out our commercial banking partners.

A further example of EFIC support for Leighton that was not available from commercial banks on a standalone basis, is the recent equipment financing transactions for the mining fleets required to perform contracts in Indonesia and Mongolia. Indonesia was financed in conjunction with a major Australian bank at a time when there was very little capacity in the banking market. The Mongolian transaction, completed more recently, was provided by EFIC in partnership with a European bank. Obtaining funding in Mongolia is extremely difficult. Without EFIC's support, it is unlikely that either transaction would have been completed. Rather than cutting out the banks, EFIC worked with our banks to facilitate the completion of the both transactions, with EFIC taking on that proportion of the risk that the banks were either unwilling or unable to take. In our view, EFIC is a catalyst to the private sector by assisting banks to undertake transactions with clients, often in challenging jurisdictions.

The last example of the type of support EFIC has provided in the past, is project finance for a toll road Leighton was contracted to build in the Philippines. EFIC participated together with a mix of commercial and development banks to provide the funding for this project, which enabled Leighton's involvement as a contractor in the project.

Based on our extensive first hand experiences, Leighton supports the continued involvement of EFIC in assisting SMEs and large corporate borrowers in challenging financial times. The ability of EFIC to lend and work in co-operation with private sector banks, in addition to being able to provide guarantees and insurance, is vital to support Australian exporters, especially in this challenging financial climate.

Leighton emphasises the necessity for the development and maintenance of long term trusted relationships in business. EFIC, in its present business model is such a partner and we are concerned that this could not continue if the suggested changes to its mandate were to be implemented.

Yours faithfully

LEIGHTON HOLDINGS LIMITED

Kirk Coningham OAM

Group Manager, Government and Industry Affairs