



Bronx International Pty Ltd

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20th March, 2012

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

Subject: Proposed changes to EFIC's mandate

To Whom It May Concern:

It has come to my attention that there are proposed changes to EFIC's mandate affecting support provided to Australian SME exporters.

Bronx International Pty Ltd is one such Australian SME exporter who has held an extremely valuable relationship with EFIC for almost 20 years. Over the course of our relationship EFIC have undoubtedly provided support to our export activities and in fact has on many occasions has made the difference between being awarded the contract or losing it.

Since Bronx International commenced operations in Australia in 1989 with a business focused towards export we have seen and had to meet many challenges competing internationally. Our primary market globally is and always has been in developing economies. These geographic and demographic market segments generally welcome Australian exporters. Australian product and services are generally seen as first world quality yet very often not with the expected first world price tag nor ridged commercial terms of other first world countries.

Over the past 10 years and more particularly over the past 5 – 7 years however many of the traditional markets of Australian exporters has seen an ever increasing competition from lower cost countries. Price differences, combined with an ever increasing strength of the Australia currency have pushed traditional markets and customers towards such lower cost competition.

During these more recent years the support offered to SME's such as a Bronx International has been of strategic importance. Very often the support provided by EFIC has been the differentiator. This support has been provided in several forms and Bronx International have been fortunate with such support from EFIC to be awarded projects which otherwise would not have come to fruition

Below are examples of this support:-

Bonding Line Facility

Since 2007 EFIC has supported Bronx with a Bonding Line facility of AUD 5 Million.

In 2011 EFIC increased their support of Bronx by increasing this facility to AUD 7 Million.

Over the years this bonding line facility has enabled Bronx to secure over **AUD 75 Million** of contracts.

A bonding line facility with EFIC has helped to support Bronx in securing the following contracts which without EFIC's support Bronx would have not been able to secure:

2007 – Russia

- Contract Value exceeded USD 8,000,000
- EFIC issued a deposit bond on behalf of Bronx

2007 – Argentina

- Contract Value exceeded USD 3,000,000
- EFIC issued a deposit bond on behalf of Bronx
- EFIC issued a further warranty bond

2008 – Eastern Europe

- Contract Value exceeded EUR 8,000,000
- EFIC issued a deposit bond on behalf of Bronx

2008 – Ukraine

- Contract Value exceeded USD 17,000,000
- EFIC issued a deposit bond on behalf of Bronx
- EFIC issued a further warranty bond

2008 - Europe

- Contract Value exceeded EUR 4,000,000
- EFIC issued a Demand Guarantee to our bank to support our bank in issuing an advance payment guarantee on behalf of Bronx

2010 – Central America

- Contract Value exceeded USD 9,000,000
- EFIC issued a deposit bond on behalf of Bronx
- We will also be relying on EFIC's support in issuing a further bond to support Bronx's warranty commitment which is scheduled to be issued later this year

2010 – Turkey

- Contract Value exceeding AUD 6,000,000
- EFIC issued a Demand Guarantee to our bank to support our bank in issuing an advance payment guarantee on behalf of Bronx

Financing of Bronx's Customers

Over the years EFIC's has supported Bronx's customer with financing our customers. EFIC's ability and support with financing our customer has helped to support Bronx in securing the following contracts which without EFIC's support Bronx would have not been able to secure:

1996 – S. E. Asia

- Contract Value exceeded AUD 7,000,000
- EFIC supported Bronx to secure this contract by financing our customer via their local bank with a loan of 85% of the contract value.

2004 – Central America

- Contract Value exceeded AUD 10,000,000
- EFIC supported Bronx to secure this contract by financing our customer with a direct loan of 85% of the contract value

2007 – Russia

- Contract Value exceeded USD 8,000,000
- EFIC supported Bronx to secure this contract by financing our customer via their local bank with a loan of 85% of the contract value

2008 – Ukraine

- Contract Value USD 17,000,000
- EFIC supported Bronx to secure this contract by financing our customer via their local bank with a loan of 85% of the contract value

2012 – Russia

- Contract Value exceeding EUR 6,000,000
- EFIC has provided Bronx with an indicative offer to support financing of our customer's bank with a loan of 85% of the contract value
- With EFIC's support we have also been able to assist our customer by including the VAT payments as part of our contract and therefore allowing the VAT payment to be included in EFIC's finance package

Medium Term Insurance

2004 – Central America

- Contract Value exceeded AUD 10,000,000
- EFIC supported Bronx to have security for this contract by issuing Bronx with an insurance policy to secure against any default in payment by the customer

There is no doubt that without the ongoing support of EFIC Bronx International would not have been able to secure in excess of AUD 70,000,000 export contracts. This support and hence significant contribution EFIC have provided to our business has not only meant that Bronx International continues to earning export dollars but more importantly has contributed to employment of Australian resources through the resulting growth in our business.

Today I reflect on the position of our company, and indeed I am certain many Australian SME exporters will have a similar story that EFIC has been a strategic differentiator on the international arena. Looking into the future I can also categorically state that EFIC will play as equally and potentially a more significant role to us and other SME exporters in our international success.

I have been very proud over the years to announce to many of our customer's that the Australian government through their agency EFIC can potentially offer a package to enable the realisation of your vision.

I wish to draw your attention to one of my opening comments, competition over the past 5 -7 years in particular has significantly increased. Now reflect on the strategic nature of the support provided to Bronx International in that same period. Frankly this support has been one of main contributing factors to our ongoing success and growth. Should this type of support be withdrawn I fear that Bronx will become another casualty in the Australian demise of exporters in the manufacturing sector.

Surely the Australian Government must recognise the contribution that SME exports make to our economy and with a reduced mandate of support to such exporters this will have both short term, medium term and long term implications at a time when there should be an increase in support.

Furthermore I fear for the ongoing development of SME exporters, Bronx International are established with existing market presence and reputation, what incentive can be offered to new and upcoming SME exporters, these are the future of our country, the future earners of export dollars, the future employers of Australian residents. Surely this can't be ignored.

In closing, I seek both the understanding and foresight of this commission to continue to encourage Australian SME's to export.

As an Australian coming from a long service in the Australian manufacturing sector I am proud of the goods and services that our country has provided to our international partners. Let's promote this philosophy, let's encourage our industries, let's support our future exporters.

Yours Sincerely
Rod Sawyers

Managing Director
Bronx International Pty Ltd