



March 21, 2012

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

Dear Sir/Madam,

Thank you for the opportunity to respond to the Productivity Commission's Draft Report on Australia's Export Credit Arrangements, and in particular the continuing role of the Export Finance and Insurance Corporation (EFIC). Riverstone Advisory Pty Ltd (Riverstone) provides its comments regarding this important aspect of Australia's international trade and finance.

The directors of Riverstone have decades of experience in international trade and investment. We believe that EFIC has been of enormous benefit to Australian companies on the international scene. If EFIC is to be changed at all, it should be expanded in order to better respond to the growing challenges faced by Australia's export community. EFIC has been instrumental in supporting SMEs while moving into new commercial markets, the result of which is that many of these companies are now better able to secure funding for international operations on commercial terms.

The Draft Report argues that EFIC is serving far too many repeat clients who should have moved into commercial markets already, or serving clients that cannot be classified as SMEs. However, the overwhelming majority of EFIC transactions are with small or medium-sized businesses. Even if some large companies have benefitted from EFIC funding, countless other SMEs have benefitted too as suppliers of inputs or services to these larger companies.

We strongly believe in the value-adding activities of EFIC, which have supported over \$15b in exports over the past 10 years. We feel that EFIC provides not only a valuable addition to the available suite of financial products offered by commercial providers, but in many cases is the only option for many exporters deemed too risky by these commercial lenders. In many instances, commercial lenders are unwilling to support exporters who are subject to great political and commercial risks without an EFIC-backed guarantee on lent capital. Furthermore, commercial lenders are still suffering from the effects of the global financial crisis and, on a general whole, have less of an appetite to provide project or export financing, particularly to SME's. Recent changes in banking regulation, particularly in Europe, has also meant that many banking syndicates are unable to support large projects that have become too costly to bear.

It is important to note that most, if not all, developed economies have formed a sovereign Export Credit Agency (ECA) similar to EFIC. Should EFIC's operations be curtailed, Australian companies which seek to penetrate export markets may well lose out to international competitors who are supported by their respective ECA's. Because EFIC plays such a key role in facilitating Australia's export competitiveness, a significant limitation of EFIC's activities will result in a reduction to Australia's exports. Furthermore, EFIC, by virtue of the fact that it is connected to a network of foreign ECAs, is instrumental in helping attract foreign investment to Australia. Diminishing EFIC's role might well diminish a significant level of foreign investment benefits which flow into the Australian domestic market. Overall, EFIC plays a critical role to Australia's economy.



It has also been argued that ECA's are instrumental in progressing projects not only on a commercial front, but also in environmental and social issues as well. Large projects can bring many benefits to the stakeholders at all levels, and their successful funding either by ECAs or commercial lenders promotes not only domestic companies looking to export abroad, but the foreign communities benefiting from said projects. Projects that EFIC has supported in the past have had a positive impact in foreign communities, providing employment and ultimately raising standards of living.

In summary, we strongly believe that EFIC supports SMEs with a suite of products and services that are simply not available to Australian small and developing exporters by the commercial market. We urge the Productivity Commission's support of EFIC and its work in promoting Australian products and services at the international level.

Yours sincerely,

Kevin Hobgood-Brown

Managing Director