



AUSTRALIAN CHAMBER OF
COMMERCE AND INDUSTRY

30 March 2012

Ms Patricia Scott
Presiding Commissioner
Export Credit Inquiry
Productivity Commission
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Dear Ms Scott

**Re: Australia's Export Credit Arrangements: Response to the Productivity
Commission's Draft Report**

The Australian Chamber of Commerce and Industry (ACCI) welcomes the opportunity to provide a submission to the Productivity Commission (PC) on the draft report on Australia's Export Credit Arrangements.

ACCI is Australia's leading peak industry group representing over 350,000 businesses nationally. These businesses cover a range of sectors including engineering, construction, automotive, food, wine, transport, freight forwarding, ICT, printing, mining and services industries. ACCI's trade-related businesses number approximately 20,000.

ACCI is a strong advocate of open markets, and recognises the important contribution trade makes to economic well-being and the development of competitive and world class industries. We are also supporters of the role and function of EFIC to date and consider that this should continue into the future.

As stated in our earlier response, it is our belief that EFIC provides a valuable addition to the available suite of financial products offered by commercial providers. This is in accordance with its mandate under the EFIC Act. We believe that the role and function of EFIC should be to enable commercial financial service providers to go beyond the "business as usual" scenario in supporting Australia exporters. Our view is that EFIC's role should not be just to address "market failure" where this occurs, but also to act to fill in "market gaps" where these exist. EFIC should not operate in competition to commercial providers of financial products, but rather should provide services and products which augment the commercial sector's ability to offer support for exporters in areas where the commercial sector is constrained or unable to operate for various reasons.

While we agree with the economic approach outlined in the draft report, we are concerned that the inquiry has placed an inappropriate emphasis on the operations of EFIC as though it were a dominant influence on the financial and export sector, when in fact it plays quite a limited role. We would think it more appropriate for the Inquiry to consider the level to which





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EFIC's actions (or potential activities) facilitated economic activity in the Australian economy, rather than the focus on distortions or opportunity cost to taxpayers as the Inquiry appears to have done.

It is also concerning that the Inquiry appears to have discounted the support provided to EFIC and its work from almost all of the respondents and instead sought to consider theoretical musings on why this may be, thus appearing to be predisposed towards the removal of EFIC.

The recommendations in the draft report, if accepted, would seriously curtail the operations of EFIC in support of exporters. ACCI is supportive of the notion that EFIC should assist the widest range of exporters possible, within the constraints of operating to overcome market failure, market gaps and its budget. ACCI believes that the current client base and product offerings should be viewed as fluid and that these will evolve over time as conditions and circumstances change. At the same time there may well be other operational models which could be applied to delivering these supportive services.

ACCI accepts that the current operational goal of being "profitable" could be confusing to EFIC and could work against its mandate to operate in areas where commercial providers would not normally function. That said, ACCI has no objection to EFIC operating in a "commercial" manner, but suggests that if it is operating where no other commercial entity would operate due to "market failure" or lack of commercial returns, then its focus should not be on making a profit from activities.

Therefore, ACCI proposes that the Inquiry reconsider its draft report and make recommendations which support the ongoing role for a body with the objectives and mandate of EFIC. If it remains the view of the Commission that EFIC is not fully meeting its terms of reference in its current mode of operation, ACCI contends it would be more helpful to industry and government if the Inquiry were to be more specific about which areas of EFIC's operations could be modified to ensure that it does more closely align to its mandate.

We look forward to receiving a copy of the final report.

Yours sincerely

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