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EXPORT FINANCE AND INSURANCE CORPORATION  
AMENDMENT BILL 1983  

Date Introduced: 9 November 1983  
House: House of Representatives  
Presented by: Hon. L. Bowen, M.P., Minister for Trade  

Short Digest of Bill

Purpose

To improve the supporting services of the Export Finance and Insurance Corporation (EFIC).

Background

EFIC is constituted under the Export Finance and Insurance Corporation Act 1974 as a public enterprise guaranteed by the Commonwealth Government. EFIC is required, by the Act, to operate on commercial lines and to be self-supporting. It was originally established in 1956 as the Export Payments Insurance Corporation.

EFIC's objective is to encourage Australia's export trade by providing exporters with a specialised range of insurance, guarantee and financing facilities not normally obtainable from the commercial market.

EFIC is empowered to provide:

1. insurance to exporters against the risk of non-payment by overseas buyers for a variety of commercial, economic and political risks;
2. guarantees to Australian banks in respect of finance which they provide to Australian exporters;
3. finance for Australian exports of capital goods and related services at concessional rates of interest to match overseas competition;
4. insurance of investments of Australian firms in enterprises in foreign countries against the risks of loss from expropriation, war
damage or exchange transfer delays; and

5. indemnification of banks and insurance companies against loss arising in respect of various types of bonding facilities related to exports, including performance bonds required of Australian consultants employed overseas.

EFIC's business is concentrated mainly in the area of insurance of export payments for raw materials, primary products and light manufactures and services.

EFIC's export finance facility is financed by trading bank loans at commercial rates of interest. EFIC lends these funds to overseas buyers at concessional interest rates consistent with the minimum credit terms specified under the Organisation for Economic Co-operation and Development (OECD) Arrangement on Export Credits. The difference between the commercial interest rates at which EFIC borrows and the interest rates at which it lends is met from the Budget by way of a subsidy payment to EFIC each year. The subsidy payment was $15.3 million in 1982-83 and is estimated to increase to $18.7 million in 1983-84.

The Export Finance and Insurance Corporation Bill 1983 aims to strengthen the services offered by EFIC and reflects the Government's commitment to develop export trade. According to the Minister, in his Second Reading Speech, the "Government's intention is that EFIC's facilities be expanded to enable the Corporation to provide foreign currency financing and give Australian exporters access to lower interest rate currencies for medium and long term credit with which to meet the terms being provided by competitors". The Bill will expand the definition of "loan" and the "lending of money" as well as removing the restrictions which generally limit EFIC's services to those not "normally" available from the private sector.

Main Provisions

Clause 3 amends section 4 of the Principal Act to expand the definition of a loan or the lending of money to include the provision of finance in any form. EFIC will be able to purchase and deal in bills of exchange and promissory notes. This facility will be particularly useful in financing smaller transactions which are less suited to formal loan arrangements.

By clauses 4 and 5, EFIC will not be restricted to enter into export payments insurance contracts against risks which are normally insured with commercial insurers.
A new section 23A will be inserted into the Principal Act by clause 6 to enable EFIC to provide subsidies to lenders in those instances where EFIC guarantees repayment of loans made by lending institutions to overseas buyers of Australian capital goods and related services. A subsidy payment would arise when the return from the buyer to the lender was less than a return agreed between EFIC and the lender. Such an arrangement has particular application when foreign currency is used to finance the loans.

By clauses 7 and 8 EFIC may provide overseas investment insurance in respect of risks which are normally insured with commercial insurers.

Clause 9 amends section 40 of the Principal Act to allow EFIC to finance eligible export transactions without the restriction of providing export finance not "normally" available from the private sector.

For further information, if required, contact:

Economics and Commerce Group
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