



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

Federation Chamber

BILLS

**Export Finance and Insurance
Corporation Amendment (Support for
Infrastructure Financing) Bill 2019**

Second Reading

SPEECH

Wednesday, 20 February 2019

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

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Speaker O'Brien, Ted, MP	Question No.

Mr TED O'BRIEN (Fairfax) (17:43): Australia has proved to be an extraordinarily successful liberal democracy, perhaps indeed the most successful in all of human history. That success is built on many things, not least of which is our geography. As an island continent hanging from the tip of Asia and linking East Asia with the vast South Pacific, Australia was almost predestined to be a nation underwritten by trade. From the days of John Macarthur through to the TPP-11, Australia's wealth and success—indeed, our very security—first as a colony, then as a dominion and finally as a proud, independent nation, have rested on a vigorous free trade agenda.

That agenda is no better demonstrated, and strengthened, than by the dazzling array of game-changing free trade agreements negotiated and concluded by this Liberal-National government with the governments of Japan, China and Korea. Together with the TPP-11 they will open markets and opportunities right across the Pacific basin, from Singapore to Chile. But any nation, like any business or individual, must never lose sight of where it comes from and the importance of its strengths and relationships. These invariably lie in your own backyard. For Australia, our backyard is the South Pacific and, to an ever greater extent, the Indian Ocean. Relations across both oceans effectively bookend not just our geographic reality but also our future prosperity, as they also benefit the security, stability and sovereignty of our friends and neighbours across this vast region.

Australia's engagement with this region, and with the Pacific in particular, is vitally important. The Prime Minister recently made Australia's abiding interest in a strategically secure and economically stable Pacific clear to all. Each trade, aid and foreign policy initiative of the Australian government must acknowledge the strategic security and economic stability of the Pacific as a fundamental objective so that all sovereign nations across our region can individually and collectively prosper in a climate of open free trade and cooperation to better meet the needs and aspirations of their citizens.

It is certainly no coincidence that this mutually beneficial objective to broaden and deepen Australia's engagement with our friends and neighbours across the region is also a key aim of the government's *2017 Foreign policy white paper* and, as such, will guide the foreign affairs and trade agenda of Liberal-National governments for years to come. With these principles in mind, the Export Finance and Insurance Corporation Amendment (Support for Infrastructure Financing) Bill represents just a part of the wider package of measures that are very much in lock step with the key objectives of the *Foreign policy white paper* further strengthen Australia's support for the Pacific and will maximise Australia's participation in infrastructure projects across the region.

Here in Australia debate is long and loud on infrastructure due to an almost insatiable demand for improved productivity, safety and convenience—and so too in the Pacific. In particular, in the South Pacific, there is a demonstrable increasing need for infrastructure. The Asian Development Bank estimates that the Pacific region will require US\$3.1 billion in infrastructure investment each year through to 2030. Australia can, partly through the agencies empowered by this bill, play an important role to help meet this burgeoning demand. We need new, creative ways of financing and funding, and new ways of bringing groups together to offer skills and solutions that effectively leverage our strengths and truly work for the communities concerned.

Here in Australia we have sought to embrace new ways of delivering long-term plans and infrastructure. That might include helping unlock private capital through public-private partnerships, or even the City Deals that this government pioneered, and the like. It follows, therefore, that we also need to embrace new arrangements when it comes to assisting our friends in the Pacific with their planning, financing and funding of critical long-term infrastructure. To this end, international alternative arrangements must be considered—arrangements that include proposed amendments to the Export Finance and Insurance Corporation Act, which are the subject of this bill, and form part of a significant new package of security, economic, diplomatic and personal relationship initiatives that will build on existing strong relationships in the Pacific. Better infrastructure solutions across the Pacific will contribute to stronger growth not only in the communities and countries concerned but also across the region as a whole, including in Australia. The Australian government strongly believes that productive and

sustainable infrastructure development is mutually beneficial to Australia and our friends across the Pacific, and the government has made a clear decision to invest accordingly.

This bill seeks three principal amendments to the Export Finance and Insurance Corporation Act 1991. Firstly, the bill will allow the Export Finance and Insurance Corporation—commonly referred to as Efic—the ability to finance overseas infrastructure projects, based on an Australian benefit test that will open a larger pool of potential projects eligible for Efic financing. The benefit test will not only account for direct benefits, such as the immediate involvement of Australian businesses, and for indirect benefits, such as greater access to supply chains and new markets—and, therefore, more Australian jobs—but also hold the promise of future benefits to Australia, such as improved transport infrastructure and regional connectivity, which will, over time, encourage better economic integration.

Opportunities for dramatically improved regional connectivity are already underway, thanks to the leadership and foresight of this Liberal-National government. Australia is already a key project partner with the governments of Papua New Guinea and Solomon Islands in the Coral Sea cable, which will soon link PNG and Solomon Islands with Australia. The Coral Sea cable is a very significant piece of regional infrastructure, one that promises boundless opportunities for deep and lasting connections between each of the nations involved—not just economic opportunities but also improved education, health and person-to-person pathways that have the prospect to open and develop further, to provide better solutions. E-health, e-education: this is where infrastructure counts, and we're already doing it.

Secondly, the bill will increase Efic's callable capital by \$1 billion on its commercial account. This amendment will give Efic greater flexibility and credibility when managing the expectations of infrastructure project proponents and finance partners. This amendment also provides the means for Efic to offer more commercially significant financing to large overseas infrastructure projects. This additional \$1 billion in callable capital represents an effective increase in Efic's capital base of approximately 150 per cent. It is a substantial commitment from the Liberal-National government to increase opportunities for Australia while at the same time assisting our Pacific neighbours. Further, the decision to increase callable capital by legislative amendment will also, with the deliberative authority of the parliament, provide a higher level of certainty for all parties involved.

Thirdly, this bill allows Efic to conduct future operations under the trading name Export Finance Australia. This simpler trading name and stronger brand recognition that references Australia will no doubt boost the profile and work of Efic among Australian businesses and in overseas markets. Only last week I tabled a report in this parliament, on behalf of the Joint Standing Committee on Foreign Affairs, Defence and Trade, that was the product of an inquiry into how small and medium Australian businesses leverage free trade agreements. One of my takeaways from the 153 submissions and 16 public hearings of that inquiry was the relatively low level of awareness and understanding of the work of Efic. Therefore, I have every confidence in the simplification of its branding name for the purposes outlined in this bill. It will be welcomed, especially by small and medium Australian businesses.

It should be noted, nevertheless, that this bill makes no change to the existing strict risk controls and prudent lending guidelines for Efic in its enhanced infrastructure role or in its commercial renaming, which are made possible by way of these amendments. Efic has achieved a consistently strong record of profitability with high due diligence standards over the last 20 years, which, together with Efic's equally robust environmental and social risk assessment criteria, will be meticulously maintained. There can be little doubt that a greatly enhanced role for Efic, including its ability to complement the Liberal-National government's new Australian Infrastructure Financing Facility for the Pacific, will boost Australia's attractiveness as an effective partner in regional infrastructure development, improve opportunities for Australian businesses and help to drive sustainable economic growth.

This is such a quintessentially Liberal-National reform. I say this because the amendments outlined in this bill are not simply worthwhile in an immediate or operational sense; they also demonstrate great strategic foresight and have tactical merit by seeking to leverage our existing strengths. This bill is not just about empowering Efic to support infrastructure projects and support Australian businesses; it will feed in and complement other initiatives, such as the recently concluded free trade agreements and extensive domestic reforms that support and grow small and medium businesses in Australia.

Yes, this Liberal-National government has its fingerprints all over these reforms, and proudly so. This bill is yet another textbook example of effective policy implementation from the Liberal-National government, policy that is productive, sustainable, mutually beneficial and, most importantly of all, of fundamental importance to Australia and is in the best interests of Australians and, indeed, our nearest neighbours. I commend the bill to the House.