

1983

THE PARLIAMENT OF THE COMMONWEALTH
OF AUSTRALIA

HOUSE OF REPRESENTATIVES

EXPORT FINANCE AND INSURANCE CORPORATION
AMENDMENT BILL 1983

EXPLANATORY MEMORANDUM

(Circulated by authority of the
Minister for Trade)

OUTLINE

The Export Finance and Insurance Corporation Amendment Bill 1983, which amends the Export Finance and Insurance Corporation Act 1974, gives effect to relevant elements of the Government's decision to strengthen the supporting services available to exporters through the Export Finance and Insurance Corporation (EFIC).

The main purpose of the Bill is to give EFIC authority to provide subsidies to lenders in situations where the Corporation guarantees repayment of loans made by lending institutions to overseas buyers of Australian capital goods and related services. This amendment has particular application when foreign currency is being used to finance such loans.

In order to enable EFIC to keep abreast of current trade financing techniques, particularly in relation to smaller transactions, the Bill will broaden the existing definition of a "loan" and the "lending of money" to include the provision of finance in any form.

The Bill also gives effect to the Government's decision to remove the restrictions which generally limit EFIC's services to those not "normally" available from the private sector.

NOTES ON CLAUSES

Clauses 1 and 2

1. The first two clauses of the Bill provide for the short title and the commencement of the legislation.

Clause 3

2. The definition of a loan or the lending of money has been expanded to include the provision of finance in any form. This will facilitate the use of alternative financing techniques and has particular relevance to the Corporation's export finance facility (Part IV of the Act) where smaller transactions are less suited to formal loan arrangements.

Clauses 4 and 5

3. These clauses remove the restrictions on the Corporation entering into payments insurance contracts "against risks which are normally insured with commercial insurers".

Clause 6

4. New section 23A will enable the Corporation to make subsidy payment to lenders providing loans under an EFIC guarantee 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 is necessary to facilitate the provision of concessional finance for Australian exports by way of EFIC guaranteeing repayment of a loan rather than making the loan itself and has particular application to financing in foreign currencies.

Clauses 7 and 8

5. These sections remove the restriction on the provision of overseas investment insurance in respect of risks which are normally insured with commercial insurers.

Clause 9

6. This clause removes the restriction on the Corporation's export finance facility competing with commercial financial institutions.

