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

Dear Sirs

RE: Productivity Commission February 2012 Draft Report into Australia's Export Credit Arrangements ("Draft Report")

Thank you for the opportunity to comment on your recent Draft Report.

From local Queensland beginnings more than 75 years ago, Thiess has grown to become Australia's leading construction, mining and services contractor with operating interests in Australia, New Zealand, Indonesia and India. Thiess is a member of the Leighton Group (ASX: LEI) which supports our activities, including through centralised treasury operations. Both Thiess and the Leighton Group are currently active users of EFIC products, including overseas based loans and bonding lines.

Our recent experience in the international finance sector indicates that now more than ever there is a need for governments to support export oriented corporations through the involvement of their Export Credit Agencies ("ECAs"). This view seems to be consistent across the countries with which we deal, and we have observed a 'stepping-up' of the involvement of ECA's in general.

Four years on from the Global Financial Crisis ("GFC"), we are observing risk aversion and credit limiting as financial institutions continue to protect and rebuild balance sheets. This distinct 'about face' from pre-GFC times has continued longer than many expected, first fuelled by fears of default by the USA, Portugal, Ireland, Greece and Spain, and more recently by collapse of the Euro. Given this change in global economic circumstances, and the obvious 'knock on' effect to the finance sector, we found it confusing that while the Department of Foreign Affairs and Trade's 2006 'Review of the Export Finance and Insurance Corporation' (the "2006 Review"), was largely supportive of the continuation of EFIC, the Draft Report recommended a significant reduction in mandate.

In particular, we note the 2006 Review concluded 'there is no evidence that EFIC's abolition would result in the private market 'filling the gap' and that the private sector is simply unwilling to cover some risks and tenors'. In contrast, the Draft Report found that 'Australia has relatively deep and liquid financial markets and is recognised as a regional leader in finance and insurance, and that there is considerable overlap between products offered by the private sector and by EFIC". We expected the opposite to be the case. Additionally we are concerned that the Draft Report focuses on the Australian lending and insurance markets, while in respect of our export businesses, we are operating in the international markets.

An example of EFIC's impact on our business occurred in late 2008 when, as a result of the GFC, one of the 'big four' Australian Banks reduced its lending limit to the Leighton Group, and an important leasing transaction only proceeded because of EFIC's willingness to participate. A failure of this transaction could have severely affected our ability to continue our mining operations in Indonesia.

As part of our growth strategy, Thiess has leveraged the technical and operational strengths of its domestic operations into international markets. This strategy requires funding, bonding and insurance lines which, given current global economic circumstances, can be challenging to source through private sector institutions. Continuation of our growth is therefore connected to a reversal of private sector trends in risk and credit, and support from the ECAs.

More specifically, we note the Draft Report recommends altering EFIC's mandate away from the larger corporate clients on the basis of; (1) "national benefits" incompatibility, (2) EFIC's failure to compete with its Australian sector banking peer group in terms of return-on-equity and other financial performance measures and (3) that EFIC's target customer group is overly focused on the larger Australian corporates rather than the Small Medium Enterprise ("SME") market segment.

Since (and in accordance with) the 2006 Review, EFIC has been working towards a model which is based on a 'national benefits' test. Conversely, the Draft Report seeks to quarantine any transaction for the national interest to the national interest account, for the consideration of the Minister. These two positions are diametrically opposed. We believe any transaction considered by EFIC should have both commercial and national interest elements, and that the national interest element may be related to competitiveness of the nation's products and services internationally.

EFIC's financial returns should not be compared directly to the 'four major Australian banks', as in fact the goals of these entities should, and do, differ. A suitable benchmark should be determined taking account of the risk return profile which EFIC is mandated to take, including any 'national interest' benefits.

It is incongruous to suggest that a Government subsidiary should be focused on directly supporting SME's in favour of large corporate enterprises. In taking this view we recognise that expenses incurred in financial transactions are not usually proportional to transaction size. Accordingly, in terms of transaction cost efficiency, it is in the interest of organisations to focus on a small number of larger transactions rather than a large number of smaller ones. Additionally, large transactions are inherently supported by a number of smaller ones, and we find that businesses like our own are supported by a variety of SMEs in every one of the transactions we undertake. From the perspective of the national interest, EFIC's support of larger transactions is both commercially sound, and supportive of SMEs.

In summary, we again thank you for the opportunity to review and comment on the Draft Report, we believe EFIC has, and will, play an important role in the development of not only Thiess, but Australia as a nation.

Yours sincerely

Bruce Munro