**COVER PAGE**

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**02 JULY, 2021**

2 July 2021

Mr Stephen Sedgwick AO

By email: efa\_infra\_review@dfat.gov.au

Dear Sir,

**Re: Submission to an independent review into the operations of Export Finance Australia (EFA) following 2019 amendments to the *Export Finance and Insurance Corporation Act 1991***

# Rhodes Project Services Pty Ltd (Rhodes) makes this submission as per the invitation dated 11 June 2021.

**Rhodes company introduction and background**

Rhodes is an Australian privately owned and operated company, headquartered in Melbourne. Since 2011, it has specialised in the vertically integrated delivery of social infrastructure and related projects throughout the Pacific region, predominantly in PNG with around 500 employees active on various projects.

Our investment in innovation and productivity improvements has resulted in a modern, faster way to build utilising prefabricated steel framed building systems and components. Buildings are architecturally and structurally designed with minimal wastage and maximum durability for each project. Our Australian and Pacific based regional teams design, supply and construct a diverse range of buildings and social infrastructure at competitive pricing, wherever the location.

Rhodes project delivery in recent years includes:

1. Primary schools, secondary schools, TVET centres - PNG
2. Community health posts, health centres, hospital wards – PNG
3. Law & justice facilities, defence facilities - PNG
4. Social and affordable housing projects - PNG, Philippines, Cook Islands, Fiji
5. Remote roadworks and associated civilworks - PNG

We pride ourselves on the delivery of challenging projects in the Pacific whilst maintaining the highest possible standards of quality, compliance and safety along with a keen sense of local community interaction, partnership and social contribution.

Rhodes is currently working with many large-scale organisations responsible for major infrastructure projects in the region such as foreign aid donors, multilateral banks, NGO’s, mining companies/foundations, oil & gas companies/foundations and superannuation funds.

**Submission detail**

Rhodes’ submission entails direct response to the following terms of reference:

1. ***Consider the operation of EFA’s overseas infrastructure financing functions and the extent to which it has supported the Government’s aims and the infrastructure needs of our Pacific neighbours.***
2. EFA provides a key role in providing access to finance for infrastructure in the Pacific. We believe additional funding for key Pacific infrastructure projects should complement both local government (State/Public) and commercial purposes (Private sector) strategically. This may include cases such as loans for public roads, water and electricity systems connecting key economic corridors via funding through the local Government. Concurrent funding for commercial or project purposes should be supported to take advantage of the public trunk infrastructure delivered in order to enhance and promote internal project infrastructure and overall business case feasibility.
3. To better service infrastructure needs, grant funding should be considered under relevant due diligence. As an example, a portion of trunk infrastructure costs for commercial developments should be supported under grant funding to promote and support further business investment. Broader public trunk infrastructure can be supported under government loans as mentioned in the previous point. Such grant funding is common in other countries where support for project specific trunk infrastructure entices increased development and commercial investment into local areas supporting economic growth in general.
4. We believe support for and the categorisation of infrastructure should be broadened beyond the main energy, transport and water sector definitions. We propose for this to be extended for EFA support to include physical and social infrastructure such as health, education, community, law & justice facilities, affordable housing and master planned township developments. Water, energy and transport infrastructure needs to successfully connect to and operate where people reside.
5. Enhanced funding for all critical infrastructure categories will benefit the development of good cities, towns and key economic corridors. New and improved towns and cities will foster the growth of a better economic base for countries in the Pacific for industrial, agricultural, tourism, retail opportunities and other sectors to grow and prosper.
6. Covid-19 has affected many businesses although has created opportunities. In coming years there may be innovative and important projects related to Covid-19 impacts that could be useful for stimulating the local economies of the Pacific. Support for investments in infrastructure or related infrastructure upgrades can create jobs and incomes that stimulate and protect the economy.
7. ***Examine the impact of amendments made by items 1, 2, 4 to 9, 11 and 12 of the Export Finance and Insurance Corporation Amendment (Support for Infrastructure Financing) Bill 2019 (the Bill) on EFA’s ability to finance overseas infrastructure projects. Table 1 at Attachment A summarises these amendments.***
8. We support the amendments and believe they will better support Australian companies operating in the region. They will provide direct economic and employment gains in both directions, via regional expansion and increased export related activities, and assisting a long-term platform of deeper business, economic, trade and social relationships in the region. Companies that have a long-term view in the Pacific can establish, grow or solidify full-time regional operations to take advantage of other commercial opportunities in addition to the direct support provided by EFA on infrastructure projects.
9. The benefits of working together with Pacific partners to deliver more critical infrastructure that is designed to be fit for purpose, to internationally recognised standards and satisfying due diligence processes are very significant. Better education, health, communications, housing and other utilities or facilities delivered to cities, towns and rural communities have an immediate impact on living standards and well-being in these communities. The tangible effects seen of infrastructure delivery and the gratitude of recipient communities we believe carry a lot more strategic weight than simply advisory based initiatives.
10. EFA should facilitate continued commercial investment in infrastructure so that Pacific partners can effectively bank on such support in the long-term within prudential guidelines, and therefore manage their strategic country and sovereign aims. The continuity and viability of such programs and relationships are crucial to supporting greater economic success, independence, and stability in the region.
11. Where a business case and appropriate creditworthiness exists, EFA is a critical link in supporting Australian businesses to win more projects in the region. Access to finance is very restricted to an Australian business seeking revenue generating projects outside of Australia and even more so when originating in the Pacific. A large risk premium and lack of appetite exists for such project support, even where a strong track record of commercial success and delivery performance exists. By expanding funding options available we believe this will benefit capturing opportunities so that Australian businesses can gain a better commercial foothold to deliver long-term in the Pacific region.
12. Rhodes believes it is important to support infrastructure opportunities and related SME operations in more innovative ways in addition to traditional debt funding. Equity funding should be considered as a way of supporting key projects and businesses for success, and act as an incubator for long-term growth. Innovative equity funding is likely to enable project delivery via improved business case assessment and governance for commercially viable projects. It would also allow the growth of business opportunities in the region for companies and individuals that are willing to take commercial risks and to deliver on project opportunities, and at the same time to grow equity value in the business.

Yours Sincerely,

Emanuel Papas

*Managing Director*