

19th March 2021

The Honorable Dan Tehan, MP
Minister for Trade, Tourism, and Investment
House of Representatives
Parliament House
Canberra ACT 2600

By email Dan.Tehan.MP@aph.gov.au

CC Dr Prue Gordon Senior Trade Advisor prudence.gordon@dfat.gov.au

Re EMDG – Commentary and Current Concerns – Exporters are now worse off than in the past.

I write on behalf of my client base – SME¹ exporters who access the Export Market Development Grants (EMDG) program.

I am known to your office, recently I attended a meeting with your advisor Dr Gordon² as part of my role as Deputy Chair of the Export Consultants Association Inc (ECAI). I was in contact with your predecessor on more than the odd occasion, dealing with the review of the EMDG program and the new legislation.

I now write on my own behalf as owner of Mitchell and Co.

I prepare a newsletter to my client base regularly, well over 1,500 exporters, copies of which are listed on my website <https://mitco.com.au/news/>. My experience as EMDG agent is shown as well.

I should have written before to congratulate you on your appointment as Trade Minister, I now do so. Well done.

I do understand the heavy workload you would be coming to grips with your new portfolio, the current trade dispute with China of course being on top of your agenda.

I thank you as well for recent travel subsidies that you announced last week. Well done again.

I now write to explain my views in relation to changes in the EMDG program.

To me all exporters are currently worse off under the program, for ***past*** (2020 applications), the ***present*** (2021 applications, the last under old program) and the ***future*** (2022- the first under the new

¹ Small to Medium Exporters

² Part of ECAI delegation March 11th APH

legislation).

I think if you were asked a question on the floor of the house, regarding exporters and how EMDG is supporting their efforts, you would have to answer – “sorry yes they are worse off”.

I provided my views during the request for submissions sought by Austrade for feedback on the proposed new rules to underpin the new EMDG legislation. My submission is attached³. I have not received a response to date.

For the past, present, and future EMDG applications, there are some major problems and with a bit of effort, should be dealt with now, not to expand or blow up any further.

I write to you so that you can attend to them sooner than later, to get on the front foot to deal with the issues in upfront, to deliver certainty as best you can. Australian exporters will do the best they can do to earn foreign exchange for Australia, make sales, earn profits, and retain employees in the current environment we all find ourselves, but need help now.

Problem One – EMDG Past – 2020 applications are now estimated by me to be short changed.

This relates to the 2020 applications for EMDG support, that recently closed. The first tranche payment being set at \$100,000 with no earnings test as a response by Minister Birmingham to COVID-19, following on to the extra funding provided to ensure 2019 applications were paid in full. We of course commend the Morrison government for such action at the time.

The 2020 application numbers have increased from 2019 in number and value, by my reckoning.

This is not that unexpected, as in my client base (we are one of the largest EMDG agents) most clients sought to apply to gain that very important cash support, as well as job Keeper etc. and to prevent the uncertainty surrounding the new scheme – better to stick with what you know.

In fact, I think you will be under additional pressure to contribute more funds to ensure that all client’s grants up to \$100,000 are paid in full.

I am aware of an Austrade staff member, laughing when telling a client *“you can forget about your grant above \$100,000.... we have run out of money”*. The client was not impressed to say the least.

I think you should contribute funds to ensure full payment of all EMDG applications above \$100,000 as well, to be consistent with the 2019 applications that were all paid in full.

All industries, not just tourism will benefit. To say that no money exists to do so (I would estimate about \$60-\$80M is required) does sound a bit hollow when the tourism subsidy scheme runs close to

³ Mitchell and Co submission to Austrade Re New EMDG rules December 16th 2020.

\$2 billion.

Solution One – EMDG Past – 2020 applications to be paid in full.

As part of the upcoming budget deliberations, funding needs to be made to ensure (as Job Keeper ends) that additional funding be made to ensure full payment for 2020 applications.

Funding in the order of \$60-\$70M will be required.

Problem Two – EMDG Present - Uncertainty in relation the 2021 applications

There two unknowns for the 2021 applications,

- the first installment rate
- and if the export earnings test will apply or not – having been removed for 2020.

The number of applications that will be submitted for 2021 will be a lot less than for 2020, close to 50% reduction, given a full 12 months of no overseas travel, whereas for the 2020 year there were only 6 months of travel bans.

For 2021 the existing budget allocation will be sufficient.

The \$100K first instalment should remain, the export earnings test should not apply again.

The New EMDG program post July 1 has no export performance test within it, so to bring it back for one year only, during the same Covid trading conditions as for 2019 makes no sense to me.

Solution Two - EMDG Present – Make Announcements about this year now – not later.

Make announcements to the 2021 payment structure Now – do not wait any longer.

Problem Three - EMDG Future 2022 - The Transition year is going to be a Nightmare.

The new EMDG Act is fine in theory but will be a nightmare for exporters in practice.

The amended Act is in place and hence cannot be overturned but working details to settle exporters concerns/uncertainty and to help with their day to day and strategic export planning are simply non-existent.

The last public available information on the scheme being released in September 2020 – now close to 6 months ago.

The 2022 application implementation date July 1 is now only 14 weeks away.

The promised new rules are yet to be registered, let alone go through the 15 sitting day disallowance period. New Guidelines are yet to be released or any idea of how the application/portal process will work.

Confusion will of course be heightened for the first year, the year of transition from the old scheme to the new one, you will have some exporters trying to lodge both current & new applications at the same time.

On behalf of my client base, I have pushed back on the proposed short lodgment period (4-6 weeks) as unworkable. It will cause a high reduction of exporters to seek EMDG support, as they simply miss out and must wait another year to apply again.

Industry consultation has been close to non-existent and very much one sided to say the least, with no proper forum to work together with Austrade to sort things out, COVID-19 travel restrictions coming into play here, preventing past meetings from occurring. We need to do more, now that restrictions have been lifted.

The current lack of dialogue with Austrade is not consistent with promises to me and ECAI made by Minister Birmingham and his trade advisor at the time, Jacqueline Lange.

Solution Three - EMDG Future 2022 – Work to gain Industry support for the changes in the year of transition.

I am keen to give industry support to the proposed changes myself and I think with some negotiation and compromise this is still possible.

As an example, ECAI was offered before your appointment a longer lodgment window of 90 days for the first year of transition from the old to the new EMDG.

I believe this needs to happen as a bare minimum. This would make a lot of sense.

I also think the introduction of the new EMDG needs to be delayed, as it simply not ready. A rushed approach now will increase exporter uncertainty, not reduce it. The transition provisions of the Amended Act allows for this to happen.⁴

I think you need to set the payment rate upon lodgment of one's initial application. In the past it was known, now we have no details at all, exporter uncertainty is heightened, not decreased, a keystone in changing the payment arrangements for EMDG in the first place.

The start date for lodgment of applications, needs to be at least 60 days post the full details of the

⁴ Export Market Development Grants Legislation Amendment Bill 2020 Page 15 Part 2 item 15



lodgment process, the guidelines being issued and made public. This allows exporters to plan, as they should, to maximize their export efforts with the best possible EMDG support available to them.

The initial window for lodgment needs to be at least 90 days as stated above for the 2022 year. This will be workable. 2023 applications and beyond can revert to 4- 6 weeks, as exporters will have time to come to grips with the new rules.

There also needs to be better transitional arrangements, like other government initiatives such as Single Touch Payroll (STP) and now the new Director Identification number (DIN). You need time to get things right.

Request for a meeting

I would like to meet with you to discuss my concerns in person, then I can report to my client base in a fully transparent manner.

I can meet you in Canberra or at your electoral office at the drop of a hat now that travel is not subject to any COVID-19 restrictions.

I can attend with my ECAI colleagues as well if you would like.

Look forward to your reply.

Kind Regards

Stuart Mitchell

Stuart Mitchell
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