



**mitchell & co**  
EXPERIENCE THAT COUNTS

## **January 2022 EMDG Newsletter - Xmas Taking, not Giving!**

Time for a newsletter to bring in the New Year and what it means for the EMDG program.

It is not a great start to the year.

Just before Xmas Eve, Austrade and Trade Minister Dan Tehan dropped a Press Release and an email broadcast to the EMDG community. Me thinks to get the information out and hoping no one would notice.

I decided not to spoil our clients' Xmas and now send out a summary of the implications to you all.

Sometimes ignorance is bliss.

We have all had the impact of COVID and the drama about a Serbian tennis player wanting to hit the ball over the net as bigger priorities.

Today is the day to set the EMDG record straight.

- First, the Trade Minister's Press Release.
- Then, Austrade's email advice.

## **Trade Minister's Press Release of 23<sup>rd</sup> December 2021**

<https://www.trademinister.gov.au/minister/dan-tehan/media-release/new-funding-export-grants>

Minister Tehan's advice is headed "\$80 million new funding for exporters". Bullshit! I think Minister Tehan's press release is a bit overstated to say the least. Must have got some tips from "Scotty from Marketing".

The funding is over 4 years, so the impact is only \$20M per year. Big deal! Nor is it extra funding. The current budget forecasts recorded a drop in the EMDG funding in 2022/2023 from \$157M to \$137M.

The \$20M per year is just to reinstate the status quo, that is back to \$157M. No big deal again! No extra money, rather less over the year's given inflation. Even pensions have risen by the C.P.I. A press release of hot air only – not of any substance. Scotty would be proud.

## **Austrade's Email Broadcast of 23<sup>rd</sup> December 2021 ([Attached](#))**

Now for the bad news.

This relates to EMDG New for EMDG applications for 2022 and beyond.

In essence, the new program has been "over-subscribed" big time. This means that your grant bid amount has been rationed (as predicated would happen), however to a much lower level than I was even thinking.

The over-subscription is explained as "good news" indicating that the application process is now simple. Really!

Scotty from Marketing has been putting too much spin on things here. See my past emails and references to Shane Warne. This one is the Ball-Press Release of this Century and the one before.

Here are the numbers:

Originally, EMDG promoted 4 types of clients and different levels of maximum funding for each, as follows:

Tier 1 - New Exporter	\$40,000
Tier 2 - Expanding Exporter	\$80,000
Tier 3 - Strategic Shift basis	\$150,000
Tier 4 - Industry Body	\$150,000

The max funding caps have been reduced to the following:

Tier 1 – Now capped at	\$15,000	A reduction of \$25,000 - 62.5%
Tier 2 – Now capped at	\$23,000	A reduction of \$57,000 - 71.3%
Tier 3 – Now capped at	\$35,000	A reduction of \$115,000 - 76.67%
Tier 4 – Now capped at	\$90,000	A reduction of \$60,000 - 40.00%

To get the Tier 3 maximum grant you will now only have to spend or account for \$70,000, i.e., double your grant offer.

If you have already spent or still will spend over \$300,000, your effective reimbursement rate will not be 50% but only  $(\$35K/\$300K) = 11.67\%$ .

The wash up is that the changes to EMDG mean that exporters know in advance (in theory) the grant payment rate with 100% certainty.

**It's 100% certain that you are all going to be paid at the lowest EMDG rate ever and the reduction is one that impacts all clients, not just a percentage as in the past.**

This is clear failure of government policy, big time!

EMDG New is simply a flawed model, as I have explained in the past, with 6 main reasons behind the outcome you are now presented with.

1. Lack of proper funding to the level required. EMDG is a \$250M scheme, not a \$157M one.
2. It was thought up pre-COVID based on 2018 data, which is clearly now out of date.
3. It is based on the belief that business starts first in Australia then export. It did not account for "born global" business start-ups etc.
4. It has no export performance test requirement anymore.
5. It is based on estimates, not actuals.
6. No user paid threshold before funds being paid – used to be \$5,000.

The rationing of the grant payment was expected, but "hells bells" not at the level that has happened.

What can be done. Well, a "please explain" letter to the Minister is my next job to do.

The above payment rate relates to the next 2-3 years. They are locked in. This will be confirmed by the end of February.

You will have a choice to take up the reduced grant offer amount or decline the offer. Your grant year is not impacted unless you accept the offer.

I do not see EMDG as an election issue. The Minister will simply say I have put more money in (not really) and it's helping over 5,000 exporters, more than ever before.

Yes Minister, you are but each exporter is worse off than ever before.

The ALP may or may not match the \$80M pledge, but I think they would want to

hold another review of EMDG, and this would take some time to flow through.

**Please call us for chat to talk things through if anything is unclear.**

Stuart and team.