

24th January, 2022

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; minister.trade@dfat.gov.au

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

Minister

Re EMDG – Response to your recent press release and Austrade advices.

I write in regard the Export Market Development Grants (EMDG) program.

I write in response to your December 23rd, 2021, Press Release “New Funding for Export Grants” as well as associated information which appeared on the Austrade website that day as well.

Your advice about the upside of the new funding \$80M does not have real impact to help exporters whatsoever. It is inconsistent with the advice of Austrade of the same day.

Austrade stating on their website a reduction in the promised EMDG funding caps 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%

If an exporter has already spent or still wants to spend over \$300,000, the 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, for 2022 it will come in February, 8 months into the grant funding period.

It's 100% certain that are exporters 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.

Clearly this demonstrates the help to exporters from the changes to EMDG has been oversold and now have come up short.

One of my clients was hoping to relocate to the USA to sell more wine, having submitted 2022 EMDG application.

“What is the point of EMDG. I can't go to the US now. It's just not economically viable, my costs will be \$200K, getting only \$35K means I have now to fund over 80% myself. I cannot do this. I will not go. I will not even lodge a claim, there is no point”

Going forward it seems the average grant will be in order of \$30K.

The scheme a maximum funding of \$770,000 per applicant, that to get that an applicant will now need to apply 26 times.

This cannot happen as you can only have a grant application history of 8. Talk about selling the sizzle without the steak!

You state you have contributed \$80M to the EMDG, but it is over 4 years and in essence only reinstates the “status quo” for EMDG funding to \$157M instead of dropping to \$136M.

EMDG funding level, apart from the odd increase (much appreciated) has been set at around \$150M since 1996, some 26 years.

The funding it seems has no real impact and clearly is not enough otherwise the above rationing as advised by Austrade would be much lower and hence acceptable.

The changes to EMDG from the reimbursement model, whilst good in theory have been an actual policy failure of the highest order in practice.

The changes were developed in a pre-Covid world, to ask any business to project its trading activities for 2-3 years without any certainty is simply a nonsense. It seems the ability to plan to travel overseas changes day by day. As such the supplied export forecasts will now have no substance to what will happen.

The basis of change for EMDG for the reimbursement model, was to move away from paying

marketing costs that would happen anyway, to provide upfront certainty and funding for overseas marketing activities that an exporter would not otherwise undertake with EMDG support.

“if government gives you some money, you will do more marketing and hence generate export sales and activity that you would not have otherwise done with such support”

The government is going to give less money to exporters, so EMDG now does not act as an incentive to do more, **but as an actual disincentive and hence exporters will do less**. Export sales, economic activity and employment will fall.

The changes to the program to make it better for Australia have not worked. EMDG now will do the reverse of what it intended to do.

The reasons behind the current policy failure are simple:

- Lack of proper funding to the level required. EMDG is a \$250M scheme, not a \$157M one.
- It was thought up pre-COVID based on 2018 data, which is clearly now out of date.
- 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.
- It has no export performance test requirement anymore, as was reinstated for the 2021 lodgment cycle.
- EMDG going forwards is based on estimates, not actuals.
- No user paid threshold before funds being paid – used to be \$5,000 not zero at this time.

I ask that you urgently take review of the scheme parameters at this time and get the demand for the program back in balance with the supply of funds, so that exporters can have the promised certainty.

Minister, I urge you to do your best at this time to increase the funding to the EMDG program to \$250M to increase the payment to exporters. It will fix things in the short term.

In the longer term I think you need to make major changes to the program to make more suitable in a post COVID world.

- Scrap the 8-grant funding limit, it’s redundant if you can only be paid up to \$770K in any event.



- Bring back an export performance measurement/ some sort of connection to export sales activity that is lacking now.
- Make the scheme more “competitive” not just rules based so they exporters know they really have to sing for their supper. Better exporters or those with greater potential, will get more money, to do more. It will become a quality-based scheme rather than a quantity based one.

I am happy to travel to Canberra to meet with in person, so I hear from you directly and discuss things some more. EMDG is a great scheme and does work, it just needs course correction.

In the alternative, I have large client base, throughout Australia, but in the main having a South Australia focus. I can arrange, as I have done in the past, an EMDG based roundtable so you can hear from directly exporters. It can be in person or virtual, you give me the green light I will make it happen for you. I can arrange an industry forum under the banner of industry association if you would like.

Kind Regards

Stuart Mitchell

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Mitchell and Co