

9th February 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 – Questions and Statistical Information

Further to my letter addressed to you on 24th January.

I have additional questions and information I think is appropriate to ask/submit on behalf of my client base that have arisen over the last 2 weeks or so.

My information requests are based on: -

- Three items are rumor-based questions,
- One is based on statistical information that I have prepared relating to the 2022 estimated payment

Question One: 2022 Financial Year EMDG funding to pay for two grant rounds?

I have been informed that funds in this year allocated to pay 2021 grant applications, are to be diverted to help pay the short fall for the 2022 application round.

This is a simple case of “Robbing Peter to pay Paul.” I cannot think of any valid justification for it.

To do so is manifestly unfair and inequitable to 2021 applicants. The rules that a 2021 applicant applied for, have been changed after the event, is a broken promise.

By doing so you are favoring one set of exporters over another. This is morally wrong.

The 2021 grant year is the last year of the old reimbursement model for EMDG and should just run its course and applicants should be paid on available funds in 2022 as has happened for close to 44 years.

There is no justification to reallocate funds to help fix a problem caused by the New EMDG rules for 2022 and beyond grant years.

Can you please confirm if this rumor has any basis or not?

Question Two: Will there be a Second Tranche payment for the 2021 Grant Year?

I have also been informed that consideration is being given to the idea that there will be no second tranche for 2021 grant year applications, the last grant under the old reimbursement model.

Applicants will receive their 1st Tranche and be expected to “suck it up”.

Exporters should not feel they have any sense of entitlement to a second tranche, it’s in the fine print *“s.t available funds”*

What a shallow argument to support any such action.

EMDG is not an entitlement scheme.

EMDG is “a rules” based one, like the Tax Act. I have no entitlement to pay my taxes, I do so as I must follow the rules to do so.

A second tranche precedent (good or bad) has clearly been set for the last 25 years.

There has only been one year, last year in fact, that the second tranche has not been paid.

I have no issue with the 2020 grant year second tranche not being paid, you did your best to help exporters given the circumstances surrounding that year.

However, there is a big difference between the first tranche payment amount from 2020 to 2021, \$100,000 to \$30,000, a 2/3’s reduction.

For the 2020 grant year with the first tranche set high, the impact was minor, affecting only 15% -20% of applicants.

For 2021 grant year, given the reduced payment amount, the impact will much greater it will be 75-80%.

The number of 2021 grant year applications are currently tracking much lower than those for 2020, so it must be (apart from question 1 above) that funding will exist to enable a second tranche payment to flow to exporters. It must be at least \$70,000 to be consistent with the 2020 grant year payment. The impact of COVID for both the 2020 and 2021 years is the same.

Can you please confirm that a second tranche payment will be paid for the 2021 grant year?

Question 3: Will there be a 2023 round of EMDG applications?

I have been told in the past by Austrade, that there will be a 2023 round of grant applications for the 2023 year and beyond.

Recently I have been told otherwise.

Not to have a 2023 round of applications would be the first in over 44 years or so that this has happened.

What a kick in the guts to those exporters who did not claim in 2022 for 2023.

Many held off applying, given their export plans were up in the air as result of COVID-19 implications and the inability to know when they could travel being the main reason.

Again, this is inequitable, one set of exporters who did apply for 2023 in the 2022 round will benefit and others who waited will not.

Please can you confirm that there will be a 2023 round of applications and when will the round be open to applicants?

Statistical Information on EMDG in relation to the 2022 Grant Year

I have updated a document headed EMDG Scorecard ¹ up to now and to consider your press release statement of December 23rd, 2021.

I have provided it to your office before.

You stated, "its great news that the number of applicants is the highest ever".

Yes, that may be the case, but it does produce the lowest maximum grant payment reduction ever, \$150,000 to \$35,000 a reduction of \$115,000 well above any other previous year.

As shown the 2022 grant payment round will be the worst on record, when compared to other years.

The high number is not a reflection of the strength of the exporting community, but flaws in the program design and structure as per outlined in my previous letter.

In addition, the number of applications submitted does not equal the number of applications that are actually paid.

I think the actual number of 2022 grant year payments to be released, will be lower than the 5,300 applications that have been submitted.

The reasons are shown in workings attached as Appendix B²

¹ Appendix A - EMDG Scorecard for the since 1996.

² Appendix B - 2022 grant year applications vs estimated 2022 grant year payments.

- Historically as shown in Appendix A, only about 95% of submitted applications paid, see the comparison % of actual grant payments to applications submitted.
- Some applicants will not accept the grant offer, given the low return to them and the reduced funding caps announced by Austrade the day after your press release.
- Some applicants will not claim as a result of delays in their export plans caused by COVID still preventing many wanting to travel overseas.

The number of grant applications will be comparable with the 2008/2009 grant year 4,737, albeit a \$200M scheme at that time, exporters were all paid up to \$150,000. For the 2022 grant year it will be only \$35,000 for Tier 3 applicants, the \$115,000 reduction as shown in Appendix A.

You will know the actual numbers within 21 days of the grant offers being made and be able to confirm if my estimate is correct or not.

The problem is the actual under claim will not result in any more money to flow to 2022 grant year recipients.

This is yet another flaw in the design of the new EMDG system, you cannot call it a farce, it is simply a real tragedy for exporters.

Kind Regards

Stuart Mitchell

Stuart Mitchell
Mitchell and Co

EXPORT MARKET DEVELOPMENT GRANTS

Letter To Trade Minister 9/02/2022

APPENDIX A

SCORECARD SINCE INTRODUCTION OF BUDGET CAP IN 1996/1997



CLAIM YEAR	PAID YEAR	GRANTS APPLY	GRANT PAID	% PAID/ APPLY	MINISTER	TOTAL PAID VALUE \$	AVG GRANT \$	POTENTIAL MAX LESS ACTUAL MAX \$	INITIAL PAYMENT \$	BALANCE GRANT PAYOUT	MAXIMUM GRANT PAID - \$	MAX POTENTIAL Less ACTUAL	MAIN EMDG RULES					EXPORT EARNINGS
													MIN SPEND \$	MIN GRANT \$	REIMBURSE > ABOVE \$	YEARS	TURNOVER \$	
1996/97	1997/98	3,251			Fischer	\$150M (B)		200,000	50,000	100.00%	200,000	-	20,000	2,500	15,000	8	\$50M	Yes
1997/98	1998/99	3,261			Fischer	\$150M (B)		200,000	60,000	98.94%	198,519	1,481	20,000	2,500	15,000	8	\$50M	Yes
1998/99	1999/20	3,200			Fischer	\$150M (B)		200,000	60,000	100.00%	200,000	-	20,000	2,500	15,000	8	\$50M	Yes
1999/20	2000/01	3,215			Vaile	\$150M (B)		200,000	60,000	100.00%	200,000	-	20,000	2,500	15,000	8	\$50M	Yes
2000/01	2001/02	3,391			Vaile	\$150M (B)		200,000	60,000	75.62%	165,875	34,125	20,000	2,500	15,000	8	\$50M	Yes
2001/02	2002/03	4,164	3,851	92.48%	Vaile	\$140.9M	36,587	200,000	60,000	32.84%	105,979	94,021	20,000	5,000	15,000	8	\$50M	Yes
2002/03	2003/04	4,022	3,717	92.42%	Vaile	\$146.0M	39,268	200,000	50,000	74.52%	161,786	38,214	20,000	5,000	15,000	8	\$50M	Yes
2003/04	2004/05	3,588	3,252	90.64%	Vaile	\$121.8M	37,452	150,000	50,000	100.00%	150,000	-	20,000	5,000	15,000	7	\$30M	Yes
2004/05	2005/06	3,765	3,476	92.32%	Vaile	\$137.0M	39,426	150,000	70,000	100.00%	150,000	-	20,000	5,000	15,000	7	\$30M	Yes
2005/06	2006/07	3,813	3,537	92.76%	Vaile	\$144.5M	40,840	150,000	70,000	100.00%	150,000	-	20,000	5,000	15,000	7	\$30M	Yes
2006/07	2007/08	4,247	3,972	93.52%	Truss	\$152.4M	38,373	150,000	70,000	24.42%	89,533	60,467	20,000	5,000	15,000	7	\$30M	No
2007/08	2008/09	4,472	4,145	92.69%	Crean	\$188.9M	45,567	150,000	40,000	100.00%*	150,000	-	20,000	5,000	15,000	7	\$30M	No
2008/09	2009/10	5,149	4,737	92.00%	Crean	\$203.0M	42,863	200,000	50,000	73.94%	160,907	39,093	20,000	5,000	10,000	8	\$50M	Yes
2009/10	2010/11	4,585	4,245	92.58%	Crean	\$135.3M	31,872	200,000	27,500	56.70%	125,311	74,689	20,000	5,000	10,000	8	\$50M	Yes
2010/11	2011/12	3,277	2,994	91.36%	Crean	\$127.9M	42,711	150,000	50,000	100.00%	150,000	-	20,000	5,000	10,000	7	\$50M	Yes
2011/12	2012/13	3,045	2,749	90.28%	Emerson	\$119.8M	43,567	150,000	60,000	100.00%	150,000	-	20,000	5,000	10,000	7	\$50M	Yes
2012/13	2013/14	2,715	2,530	93.19%	Em/Robb	\$117.2M	46,312	150,000	60,000	100.00%	150,000	-	20,000	5,000	10,000	7	\$50M	Yes
2013/14	2014/15	3,195	3,032	94.90%	Robb	\$135.1M	44,548	150,000	60,000	65.28%	118,755	31,245	15,000	5,000	5,000	8	\$50M	Yes
2014/15	2015/16	3,321	3,132	94.31%	Robb	\$135.1M	43,134	150,000	40,000	72.66%	119,926	30,074	15,000	5,000	5,000	8	\$50M	Yes
2015/16	2016/17	3,539	3,331	94.12%	Ciobo	\$139.8M	41,958	150,000	40,000	64.50%	110,955	39,045	15,000	5,000	5,000	8	\$50M	Yes
2016/17	2017/18	3,771	3,567	94.59%	Ciobo	\$122.8M	34,433	150,000	40,000	29.24%	72,159	77,841	15,000	5,000	5,000	8	\$50M	Yes
2017/18	2018/19	4,109	3,796	92.38%	Ciobo/Bir	\$125.8M	33,129	150,000	40,000	24.59%	67,057	82,943	15,000	5,000	5,000	8	\$50M	Yes
2018/19	2019/20	4,196	4,035	96.16%	Birmingh	\$192.6M	47,722	150,000	60,000	100.00%	150,000	-	15,000	5,000	5,000	8	\$50M	Yes
2019/20	2020/21	4,952	4,706	95.03%	Tehan	\$213.8M	45,422	150,000	100,000	0.00%	100,000	50,000	15,000	5,000	5,000	8	\$50M	No
2020/21	2021/22	Open	Open		Tehan	\$157.0M (B)		150,000	30,000	0.00%			15,000	5,000	5,000	8	\$50M	Yes
2021/22	2021+ 2021	5,300	TBC		Tehan	\$157.0M (B)		150,000	35,000	0.00%	35,000	115,000	Nil	1	Nil	8	\$20M	Nil

Source Austrade Austrade Calc Austrade Austrade Legislation Minsiter Minister Austrade Calc Minsiter Minsiter Minsiter Minsiter Minsiter Minsiter

Reports on the EMDG Program

EMDG Legislation Changes

1997/1998 Mortimer - Going for Growth (B) = Budget inc Austrade costs
 1998/2000 Review - Bewley Analysis
 2004/2005 Review - Centre of International Economics
 2008/2009 Mortimer and Edwards -Winning in World Markets
 2014/2015 Michael Lee - Certainty and Confidence and KPMG research
 2019/2020 Anna Fisher - Review of Financial Assistance for SME Exporters

2002 Min Grant Increased from \$2,500 to \$5,001
 2003 Max Grant \$150K and years to 7 from 8
 2006 Removal of Export Sales Performance Test
 2008 Reinstatement of Export Sales Performance Test, Max Grant \$200K, Reimbursement from \$10,000
 2010 Max Grant \$150K and years to 8 to 7
 2021 EMDG New Act

APPENDIX B

EMDG Estimated Paid Application Numbers for 2022

	Number	Comments
Application Number as advised by Austrade	5,300	Per Austrade Website
Application Less Actual Percentage - Historical %	5% 265	Per EMDG Scorecard Report
Estimated Actual Numbers	5,035	
Impact of COVID meaning clients do not claim for 2022	5% 252	Per Mitchell and Co Client Base
<i>Do not take up the grant offer</i>	4,783	
Impact of Lower Grant Offer below promised cap	5% 239	Per Mitchell and Co Client Base
<i>Do not take up the grant offer</i>		
Estimated Actual Paid Grants after the above	4,544	
		756 Applicants will not accept the grant offer
		14% Reduction Application to Actual

The Actual Application numbers will be known 21 days after the issue of all grant agreements - before June 30th 2022.