



Office of the Hon Dan Tehan MP
Minister for Trade, Tourism and Investment

Parliament House
CANBERRA ACT 2600

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Our Ref: MC22-000094

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Mr Stuart Mitchell
Mitchell and Co
PO Box 19
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Dear Mr Mitchell

Thank you for your letter dated 24 January 2022 to the Hon Dan Tehan MP, Minister for Trade, Tourism and Investment, regarding the Export Market Development Grants (EMDG) scheme. The Minister has asked me to reply on his behalf.

As you are aware, given your engagement in the process, EMDG was reoriented from a reimbursement scheme to a forward-looking grant program from 1 July 2021 following an external review. The reform is based on recommendations from the independent Review of Financial Assistance to SME Exporters (the Review). It simplifies and modernises the EMDG scheme by streamlining the EMDG Act, moving rules and administration into subordinate legislation with guidelines enabling a faster response to future challenges. The reform reoriented the EMDG scheme from an uncertain reimbursement program to a more effective, simplified, entitlement-based grant program.

Austrade received more than 5,300 applications in the first round of applications, half of which were from new applicants (both ready to export and expanding) who have not benefited from EMDG funds in the past. With consultants responsible for lodging about 75 per cent of all applications, 95 per cent of applicants applying for the maximum amount within each tier cap and 43 per cent applying in Tier 3, it is arguable that the industry has driven significant applicant expectations. In considering the plans to market, it is clear many returning EMDG clients are indicating they plan to spend more than double or triple their previous expenditure which seems to indicate ambit plans in order to maximise grant amounts rather than deliver realistic plans.

As I am sure you are aware, the EMDG Guidelines 2021–22 released on 1 July 2021 clearly stated that grant amounts would be allocated based on eligibility and demand and be set within the limits of the available funds. The high demand for grant funds therefore resulted in actual grant amounts foreshadowed being less than the maximum allowable under each tier. Although these amounts may be lower than applicants requested, they are reflective of the average reimbursement scheme grant of \$40,000 over the past 10 years. Only 12.9 per cent of businesses actually received grants over \$80,000 in past rounds.

The COVID-19 pandemic will have made it challenging for many exporters to plan their international promotional activities. The independent review found that export businesses that plan well are generally more successful hence the shift to a plan to market approach. As businesses are regularly faced with changing circumstances, the new EMDG scheme includes flexibilities that recognise and cater to changed business plans. Plans can be adjusted over the life of the grant agreement and businesses who undertake different activities than planned are not negatively affected provided they can demonstrate they still have eligible products and are spending on eligible expenses. At the milestone reporting stage, grant recipients are reporting on actuals, not estimates.

Austrade is administering the reimbursement scheme and the new scheme concurrently in the 2021–22 financial year. For the new EMDG program, Austrade aims to advise applicants of an outcome by mid-February and then send grant agreements to applicants for signature. From March 2022, Austrade expects to make the first payments for Tier 1 and for Representative Body grantees. Beyond the transition year, Austrade expects to provide funding certainty earlier.

Your suggestion that additional funds be made available for the EMDG scheme is noted, recognising that this would also benefit your business. A review of the new EMDG scheme will occur in due course and your feedback will be considered as part of that review.

Thank you for bringing this matter to the Minister's attention. I trust this information is of assistance.

Yours sincerely



PHIL CONNOLE
Chief of Staff