

30 August 2022

**Mr. John Angley
External Facilitator**

Export Market Development Grants (EMDG) Operational Review August 2022 submission.

VIA email EMDGoperationalreview@austrade.gov.au

Submission by Stuart Mitchell of behalf my exporter client base.

Dear Mr. Angley

Thank you for the opportunity to meet with you in Adelaide today.

By way of background, I am Chartered Accountant by profession, however I have been involved with helping exporters for over 25 years. I am ex Austrade, but for the last 20 years I have been a lodgment agent under the program.

I am based in Adelaide, but I help exporters Australia wide. I have lodged over 3,500 EMDG applications, both under the old program and now under EMDG 2.0.

I am a former QIP (Quality Improvement Program) participant with an application accuracy rate of 98%. I am a former Board member of Australian Institute of Export (now the Export Council of Australia), a National Export Awards judge as well other similar appointments.

Currently I am Deputy Chair of the Export Consultants Association Inc (ECAI).

More details on myself and my firm are shown on my website www.mitco.com.au

I produce a regular newsletter on EMDG for my client base. It has a regular readership of over 1,500 or so.

If you choose to look, you will see a listing on past newsletters, that provide a summary of my thoughts from a EMDG practitioners perspective about the shift in the application process from EMDG old to EMDG 2.0, that link being <https://mitco.com.au/news/>.

I have prepared documentation to support my discussions with you. I will send all in via email after we meet.

Those documents being: -

- My scorecard on the EMDG program since 1996/1997¹ – when the program was first capped. I think you might find it useful to provide quick summary of the past parameters of EMDG old.

¹ EMDG Scorecard from 1996/1997 to 2020/2021.



- My diagram² why the new program has greater uncertainty in terms of a grant payment to an exporter. Applications are submitted on a forecasted basis, both in terms of numbers and spending levels. Grants however are paid on actual numbers and expenditure so there is both a **quantity** (number of applications) and a **spend** level (by each applicant) variance to the actual results. For Round 1 of the scheme, I expect the underspend from forecast figures to be large for both numbers and spend levels.
- A “Compare and Contrast”³ of Key Performance Indicators (KPI) for both EMDG old and EMDG. The changes **have not resulted**, amongst other things that exporters are **better off** in terms of application workload and the time taken from application lodgment to getting paid.
 - EMDG old was a one-step application process with **21** pages of information to be submitted
 - EMDG 2.0 is a three-step process with a lodgment/review requirement of some **69** pages. A lot of the requested information is repetitive or not actually required, e.g., export sales information as there is no export performance test.
 - It takes longer to paid under EMDG 2.0 than EMDG old
 - **At best** under the old scheme, it could be **2 weeks** (by lodging early), with an average of 7-8 weeks.
 - Now the **“At Best”** result is some **40** weeks for the round 1 – Tiers 1 and 4.
 - To date **no Tier 2 and 3 applications for Round 1 have been paid**, some **54** weeks from the opening of the lodgment window to do so.
- I have produced an extract from the recent survey⁴ that is currently underway as part of the review. I think information contained on pages 6 and 7 of the survey is false and misleading. Under EMDG old it was never the case that you have to **submit all receipts and Austrade audited them all in detail**. This question/answer needs to be removed from the overall findings or a correction sent out. At least a leading question that will produce a desired result, not a balanced one.
- I have produced a summary of Operational Improvements⁵ in general sense and for Rounds 1, 2 and 3, the past, present and future of EMDG 2.0 with a view to show things that could be done in terms of:
 - Better communication and stakeholder engagement

² Variance Analysis EMDG 2.0 Forecast applications in number and spend levels compared to actual.

³ Compare and Contrast of EMDG old and EMDG 2.0 KPIs and other comparison points

⁴ Extract from EMDG Survey Pages 6 and 7.

⁵ Operational Improvements – General and by lodgment Round



- A shift to focus on the quality of applicants rather than just a numbers approach
- Steps to temper “demand” on the scheme – re-install the export performance test as the prime example from Round 4 of the program.
- Lowering of maximum grant expectations
- Reduce the paperwork behind the 3 steps
- Making faster payments
- Collaborative use of lodgment agents like me who account for 75% of submitted applications.
- The maximum amount of notice to be given for the opening date of round 3.
- The lodgment window for Round 3 to be 6 weeks. The start date be set now, not just 1-2 weeks before opening.
- Different Milestone lodging windows for the three rounds to prevent overlap both for Austrade and lodgment agents (75%) of applications.
- Rounds 2 and 3 to be paid upfront – sooner than later

Kind regards,

Stuart Mitchell

Stuart Mitchell

Mitchell and Co

**EXPORT MARKET DEVELOPMENT GRANTS
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

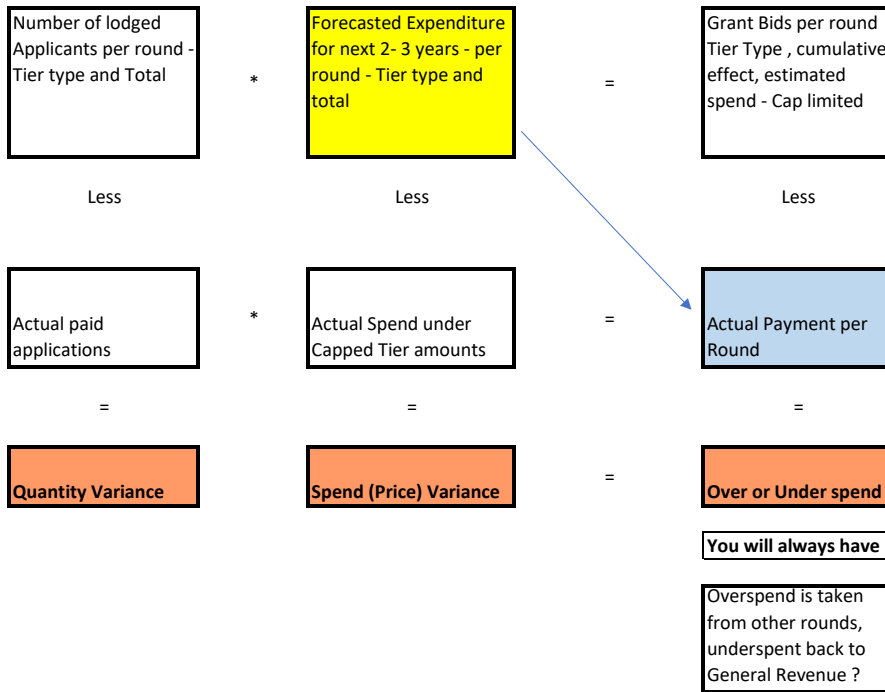
Reports on the EMDG Program

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

EMDG 2.0 New Method of Applying creates uncertainty at all times - Applications are forecast based, payment are actual expenditure based
 Uncertainty reins supreme in terms of both application numbers and spend levels



EMDG old and EMDG 2.0 Compare and Contrast Key Performance Indicators

OLD Method of Applying

New Method of Applying

Comment/Correction required

General		
Reimbursement		Reimbursement still - not a grant
50% of assessed expenditure		50% of assessed expenditure
Min Threshold, spend lever etc		No other barriers
Performance Test		No Performance Test
One application -one step process		Three step process
One application type		4 Tiers
Grants Entry Requirement	<i>Quantity not Quality</i>	Low Barrier to entry

EMDG needs to be focussed on
Quality exporters - not the other way around.

Documentation Required	Pages	Documentation Required	Pages
1. Application		1. Application	
41 Questions	4	46 Questions	5
Financials	4	Financials	4
		Plan to Market	6
Goods Not Made in Aus.	5 <i>Not all applicants</i>	Goods Not Made in Aus.	5
	<i>Not all applicants</i>	Non Tourism Services	4
Supporting Documentation	8 Avg	Export Sales Evidence	4
Schedules	10 Avg	Schedules	0
Total	21		28
		2. Grant Offer	28
		3. Milestone Report	
		15 Questions/Headings	5
		(Many are repetitive)	
		(Export Sales information ?)	
		Supporting Information	8
			13
		Total	69

You have to supply the bank account details 3 times
You have to confirm your goals twice

Reduce the steps involved
Reduce the amount of paperwork
Reduce the unnecessary contact points
Reduce the internal review steps
Remove redundant questions

Lodgement Process		
Certainty - known grant amount up to 1st Tranche		Not know until many months later
Impact Second Tranche (expect for 2021/2022) only 15-20%		Rationing impacts all - Tiers are treated differently
Start date know to be July 1st start date		Not know - little notice round 2
Months to apply		Weeks to apply
Quality focussed by approved agents (QIP)		75 % of applicants use a lodgement agent
Lodge Early Paid Early		Makes no difference - you have to wait till all are processed.
Portal - Functioned well and robust		Current Model is a "MVP" - clunky and repetitive

See example of the time taken to process below - the timeline needs to be reduced
Exporters need to be paid sooner than later

Assessment Approach		
Not all applications audited - risk Management approach		It is exactly the same - it happens 3 times not once
67% used an agent - Most QIP based		75 % use an agent
Export Consultants Association Inc - Joint CPD sessions		Non-existent, no interest, limited stakeholder engagement
98% accuracy rate for QIP consultants		No measurement, no control, complaint re 300 + agent
Survey Question re comparison - all transaction audited under the old scheme - compare to risk approach - as attached		
this is wrong - it is false and misleading		

Use lodgement agent better
EMDG is lodging a tax return 90% of SME's use an agent. It not an indicator of complexity, it a function that is simply outsourced

Remove from the survey results

**EMDG old and EMDG 2.0 Compare and Contrast
Key Performance Indicators**

OLD Method of Applying		New Method of Applying	Comment/Correction required
Lodgement to Payment Timeline - Best case scenario - Lodge early to get paid early			
Over many years	Weeks	Round 1	Weeks
Lodgement Window DIY	21	1.Application Lodgement(R2 reduced)	<i>EMDG 2.0 has failed to deliver prompt payment</i>
Lodgement Window QIP	34	16th August to 30th November to lodge	15
But lodge early = paid early at best.		Grant Offer advice 23/12/2021	3 <i>The focus should get back to EMDG past best practice as under EMDG old.</i>
Lodge July 1		From August 16th	18
Paid July 15	2	2. Grant Offer	
Average - Pre Advice from Austrade		Grant Acceptance Period to lodge	3
Pre Nov 30 -lodgement date	8	Grant Offers issued to all 30/6/2022	42 <i>Only 1 month before year end - not upfront</i>
Post Nov 30 - from start date	7	From August 16th	45
		3. Up front Payment /Milestone	<i>No reward for early lodgement</i>
		Tier 1 and 4 paid May 2022 - from 16th	40 <i>At best under EMDG new is 20 times that of the old scheme</i>
		Tier 2 and 3	
		July 1 to 31st August 31 to lodge	8 <i>Extended to 30/9 due to Round 2 at the same time</i>
		From August 16th	54 <i>This is complete Policy failure - 7 times than the average before</i>
		3 Step = 3 Lodgement Windows in total	26 <i>No reward for early lodgement</i>
		Round 2 reduced to 6 weeks Step 1	19 <i>More than EMDG old</i>
			<i>2 weeks less than before, but has gaps/time delays</i>

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Introduction

As an Export Market Development Grant (EMDG) recipient or stakeholder, thank you for agreeing to complete this survey. The survey is hosted by ENGINE, a market research company, (with Pureprofile), on behalf of Austrade. On 3 August 2022, Senator the Hon Don Farrell, Minister for Trade and Tourism announced an internal review of the EMDG program.

The operational review examines the reformed EMDG program which commenced on 1 July 2021. An important part of this operational review is obtaining information about the experiences of EMDG exporters and other key stakeholders, such as peak bodies, industry groups, EMDG agents and consultants with the program.

This survey is designed to gather input which will be considered, analysed and lead to recommendations to the Minister to improve the EMDG. Participation is voluntary and the survey should only take 5-10 minutes to complete.

The information you provide will be kept anonymous and used solely for the purpose of improving the EMDG program. [Privacy - Engine Group Australia](#).

Please keep in mind...

Do not use your Back or Forward browser buttons while you are taking this survey. Once you answer a question, you will not be able to go back and change your answer. You are able to skip some questions by clicking "Prefer not to answer".

If you would like to contact Austrade about the survey, please email EMDGoperationalreview@austrade.gov.au.

Next

0%

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This is false and misleading

In simple terms, EMDG was a reimbursement scheme that operated using an audit approach (where exporters spent first and provided all receipts which Austrade audited in detail and then paid reimbursement).

It is now an upfront grant program (where exporters and their representative bodies apply upfront, provide some detail, receive a grant agreement with funding clarity and annual milestone reporting requiring only a large invoice as evidence to be attached to the milestone report to request a grant payment).

This change was designed to provide up front clarity of the grant amount and reduce the cost and effort for businesses and Austrade, and reduce fraud and mis-claiming.

Do you agree it is useful to reduce the workload for applicants and Austrade, and shift to a risk-based assessment rather than auditing every receipt?

Please select one

- Yes
- No

This is false and misleading

Next

17% |

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This is false and misleading

In simple terms, EMDG was a reimbursement scheme that operated using an audit approach (where exporters spent first and provided all receipts which Austrade audited in detail and then paid reimbursement).

This is wrong - both are reimbursement based not upfront - paid on actual expenditure

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This change was designed to provide up front clarity of the grant amount and reduce the cost and effort for businesses and Austrade, and reduce fraud and mis-claiming.

Do you agree it is useful to reduce the workload for applicants and Austrade, and shift to a risk-based assessment rather than auditing every receipt?

Please select one

Yes

No

Why do you say that?

Enter your response in the box below

Prefer not to say

Next

17%

EMDG Internal Review - Current Scheme Parameters - Operational Improvements

Overall - General Concepts

Accept the change the new **application process has been a policy failure** - to be addressed in the next external review

The Anna Fisher **report was flawed** - goods focussed not services - exporter journey and outdated concept, no regard to born global companies

2-3 year forecasts are now impossible- COVID 19, travel restrictions, China/Australia trade dispute, Ukraine War, Supply and production restrictions, inflation

If the Reserve Bank cannot forecast interest rates with any accuracy how can it be expected that SME's forecast export their export activity

Better communication via website and email broadcasts - they need to be tailored not sent to every one on spam approach - Round 1 -Round 2 confusion, agents ignored

More stakeholder engagement as promised when the Bill was introduced - it has been very poor with only one or two exceptions

Lower expectations - do not promote a maximum grant of \$40K,\$80K or \$150K when it will never happen

Stick with the rules based approach - by focus on quality exporters and a better ROI for government

Take steps to reduce the open access of the scheme - **taper demand** - needs to apply for Round 3 and beyond.

Re-instate the export performance test - it will fix a lot of problems, demand, exporter quality and remove need for forecasts.

Need to **focus on removing processing uncertainty** - remove submit on budget figures paid on actual - as submitted

Need to **focus on reducing the time** from lodgement to payment - see Compare and Contrast

Work better with lodgement agents - not ignore them - 75% use a lodgement agent - we speak for 3,000+ exporters

EMDG Internal Review - Current Scheme Parameters - Operational Improvements

Improvements By Round - Processing based to get Exporters paid sooner than later.

Round 1

No payments have been made for Tier 2 and 3 to date - 8 weeks after lodgements on July 1. This is the major angst for exporter - check with the EMDG hotline

To report on this fact in your report will be too late

Action needs to happen now

Payments need to be paid on Milestones reports as submitted, all to be paid by 31/10/2022 or given the lodgement extension 30/11/2022

Round 2

All applications have now been submitted

All applications need to be processed by Austrade by September 30th

The Tier caps need to be announced by 15th October

The Grant offers need to be offered by October 31st

Grant to be paid upfront or via milestone for all

Grant payments/approvals finalised by December 22nd.

Round 2 Milestone reports to be lodged from September 1 to October 31 to prevent overlap with Round 1.

If grants are paid upfront the delay will have no impact to exporters, they have already been paid

Round 3

Confirm the lodgement date and length of time to do so now - the more notice the better !

Bring forward the lodgement date commencement to Feb 15th or thereabouts not March 1

Allow a 6 week lodgement window to do so - same as Round 2

Process all applications by April 30th

Set the Tier caps by May 10th

Issue grant offers from May 10th

Complete the grant offer process by June 30th

Pay all grants as up front from July 1

Milestone reports to be done on July 1 2024 or before if expenditure spent = double the grant offer. Allow November December to prevent overlap with Round 1 and 2