

PO Box 19 Kent Town DC

SA 5171

1300 648 261 (1300 MITCO)

www.mitco.com.au

stuart@mitco.com.au

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EMDG Policy

Export Market Development Grants program

Strategic Refocus

Via email EMDGpolicy@austrade.gov.au

Submission – Mitchell and Co – Stuart Mitchell

Thank you for the opportunity to provide a submission to the Export Market Development Grants (EMDG) program – Strategic Refocus.

I am a lodging agent under the EMDG program. I am based in Adelaide; I help exporters Australia wide.

This submission represents my own views based on my experience and skill set as well as my current client base of past, present and future applicants, well over 1,500.

I do hope that all submissions will have impact to help deciding the best course of action for the Minister to follow.

The review of course is not independent and does not replace the formal process when a formal review report must be submitted to the Minister by June 30th, 2026.

Minister Farrell has already indicated his intentions with the funding for EMDG per the budget forward estimates: -

- 2024/2025 \$157.9M
- 2025/2026 \$110.0M
- 2026/2027 \$110.0M

The budget allocation for EMDG of \$110M being the lowest funding amount since at least 1996 ¹

The Strategic Refocus has therefore already been set in a monetary sense, less money in the future EMDG funding pool.

¹ EMDG Stocktake 1996 to 2021 – prepared by Mitchell and Co.

Your review documentation states that: -

“Changes will be proposed for the Government’s consideration to support: -

- *Alignment of the program to the Government’s trade diversification and other policy priorities”*

The government trade diversification policy is not clear to me at this time.

I wrote to the Minister’s office about it, but I am yet to receive any response.

Your Strategic Refocus documentation does not indicate what it is other than

“Australian exporters are provided with meaning support to develop new markets”.

In simplistic terms, the Minister or Austrade itself have not indicated which “new export markets” are to be supported or not supported under EMDG going forward.

This refocus needs to be made clear before you complete the review process as any suggested change could end up being meaningless.

To me if EMDG is to be targeted to selected markets only, I think it does need to ensure that it is not illegal to do so, both in terms of Australian law and World Trade Organisation (WTO) requirements.

I also think the targeting of countries should be done on an exclusion not an inclusion basis, as it done now - to allow **all countries except those that are excluded** – New Zealand, Russia, Belarus and North Korea.

I make the point that a new market as selected by government also may have no bearing to what a new market to an individual exporter is. It’s not just about government saying we only help you with your export efforts if you only do what we tell you to market/sell to.

Before I answer the eight (8) questions that you have listed for consideration, it quite clear that the challenges facing the EMDG program (apart from the reduced funding as outlined above) arise from the clear policy failures of the previous government and the legislated changes arising from the 2019 Anna Fisher report.

My responses to your questions now follow: -

- 1. From your or your business perspective or experience, how can changes to the EMDG best support your ability to diversify or expand in new markets.**

It all depends upon the definition under the EMDG program what is a “new market”.

New markets relate to an exporter primarily, where they have sold a product/service in the past and where they think an opportunity exists to enter a new market or sell a new product/service in the future.

As indicated above, the intentions are secondary and bear little relation to real world trading practices. The current trade dispute with China (as an example) demonstrates how quickly a great market for Australian wine and foodstuffs can simply sour overnight.

Free trade agreements do not produce instantaneous results.

As stated above only “excluded” markets should not get EMDG support, not limiting support to a changing suite of new markets depending upon the whim of the government at the time.

Net- Zero economy and First Nations initiatives are separate to the exporting decision - the risk/return considerations of selling overseas in the first place or to new markets.

Such issues are about business development practices that domestic government policy already exists or should exist to drive such changes, prior to overseas market selection and focus.

2. What steps can we take through EMDG to effectively encourage First Nations exporters?

I provide no answer.

I am not able to answer this question and I think it is wrong to ask it to all applicants under the scheme.

I find it very patronising and therefore distasteful.

This question should only be asked of First Nation businesses/exporters themselves.

3. Considering the options above, from your experience, what eligibility requirements do you think the EMDG program could include to target and ensure businesses are well positioned to achieve export success? Are there eligibility requirements that should/should not be included; if so what and why.

In relation to the proposed suggestions, I make the following brief comments: -

Introducing an enhanced export readiness test.

No, it will cause more problems that is worth to do so.

It can only be done one when an applicant first enters the scheme (now as a Tier 1).

Given that the scheme allows payments for 8 years, it will be going forward only impact 1/8th of the applicant pool. So, it will not have any real impact.

The scheme already has over 10,000 applicants that can access the scheme and have passed the existing export readiness test.

Any proposed increased export readiness assessment for new applicants will create increased uncertainty in interpretation and understanding that currently exists now.

The best test of export readiness/success comes from actual results, export sales generated.

The best way to seek to get a better return in terms of "export readiness" for all applicants to re-instate the past Export Performance Test to ensure that a meaningful level of export sales must be generated for an applicant to continue to get EMDG support past year 2.

This means, by year 8, with a 5% earnings test requirement, the return to government for every \$1 of grant is 20 times.

The EMDG Export Performance Requirement Determination 2008² simply needs to be reinstated.

It will impact all exporters fairly. It will reduce demand on the scheme. It will shift the focus of the EMDG applicant base from quantity (too many applicants) to a quality one, successful exporters.

² <https://www.legislation.gov.au/Details/F2010C00521> - EMDG Export Performance Requirements Determination 2008

There is no second guessing, you either get the results or you don't, actual results not forecasted ones determine the cap on your EMDG support.

Introducing a minimum marketing spend threshold.

Maybe, but needs to do be done in the right manner.

A spend level of \$15,000 produces a grant of only \$7,500. I am not sure, but there are not too many grants of this sum for rounds 1 and 2 and to be paid for Round 3.

The largest percentage of applicants for each round being Tier 3 with a much larger spend already.

What needs to be introduced as a cost saving exercise is a minimum spend threshold before any reimbursement.

I suggest \$10,000 as been the case in the past³

There is an indication of an applicant's commitment/investment in its export activity.

It will apply to all applicants.

It will produce substantial cost saving to the scheme – Number of applicants * \$10,000 * 50% = funds not paid.

Adjusting the matching contribution from 50:50 to 70:30

No. This not consistent with other grant programs.

It sends the wrong message to exporters, not equal support from one's government, but only a third.

The EMDG payment is taxable, so the cost to government after tax is 37.5% only at this time.

It will produce less export success. It simply a slight of hand cost reduction, it has no focus on new markets.

Introducing a minimum annual business turnover threshold

Maybe.

It does not help born global businesses and it depends at what level it is set.

It should be in the order of \$100,000. It will need to include turnover from related parties within a group.

Consider the number of financial years for which applicants can be eligible to apply for EMDG.

No change. It will have an unintended consequence of a rush demand for Round 4.

No change is required at all given re-introduction of the Export Performance Test as mentioned above.

Past grants have been in the order of 7-8 overtime⁴. A one-year change is manageable.

³ EMDG Stocktake 1996 to 2021 – prepared by Mitchell and Co. – “Reimbursement Above \$” – 2009 to 2013.

⁴ EMDG Stocktake 1996 to 2021 – prepared by Mitchell and Co – heading “Years”.

If there was to be a change to say 5 years, it cannot be done for Round 4 as many clients would therefore be excluded and hence be quite upset to have the rug pulled out from their planned export efforts and I am sure they would let the Minister know about it for sure.

It can only be promoted for Round 5.

By doing so however Round 4 would be flooded by applicants with grants aged 6,7 and 8, so demand on the scheme would increase not diminish. It would therefore be counter productive.

Introducing and Employment Growth requirement

No. This will be a nonsense and almost impossible to qualify.

A grant of \$10,000 is not going to cause you to employ more staff. It's less than 15% of the average wage.

The best return to government is based on actual export sales results.

Sales in the order of \$120,000 in my experience is a good rule of thumb to cause the employment of a new employee or to retain an existing one.

The more export sales, the more staff that are required.

Past studies of the EMDG program have shown export focussed businesses are better employers and pay their employees more on average than non-exporters.

Increasing the requirements on representative bodies to demonstrate transparency and return on investment for grant funds and or reducing the number of years a grant may be received.

No change required.

I do several representative body applications.

I am unsure of any transparency issues.

Any such concerns should form part of the initial assessment process, more questions to be asked on the application form.

I cannot see the need to change the number of grant years.

Representative bodies are not a high percentage of applicant numbers when compared to Tier 1 to 3 applicants.

Limiting the number of Tier 1 grants to be received

Yes, limit to two (2).

The impact will be small.

Most applicants are Tiers 2 and 3. The grant payment for Tier 1 is minor as well.

See comments above re the export performance test.

Introducing a "minimum years in business test"

No.

It will exclude "born global companies" start - ups.

If so, it should only be for 12 months, no longer.

Past trading from related parties to be included in this test as well.

Reviewing and adjusting the eligible products and expenses

No change required to expenses or products.

If the Australian government was serious about the transition to net carbon offsets it should ban the export of coal and gas.

These industries are not part of the EMDG program.

This is domestic policy issue only – the cost to produce goods or services here in Australia. The government already has initiatives in place.

To force exporters to do the same is a double up.

I would hate to be the Minister in front of group of meat producers/farmers/manufactures to argue the merits of such an approach.

I also have an idea how you would account for “Goods not made in Australia” that are to get support under the EMDG program.

The market will determine the ability for an applicant to sell its product, overseas customers in Europe already demand climate friendly production inputs. Customers in India (a possible new market) do not.

Introducing a further requirement that businesses must be ATO tax compliant.

No change required.

This already exists.

See Q2 of the Milestone Report as an example.

4. How would the proposed eligibility requirements impact your business or relevant stakeholder group? What would be the benefits or downsides to you and/or other stakeholders?

The answer is simple. It will mean less exporters accessing the scheme.

It will reduce the export activities/sales of exporters the EMDG program is supposed to help.

Exporter expectations will not be met.

I accept that the errors in scheme design arising from the Anna Fisher report need to be corrected, however the reduction in the funding in 2025/2026, means any changes are just cost saving driven & not about making the EMDG program better.

The outcome will be a less effective scheme (less export sales) and a less efficient one (more difficult to administer)

5. What are your ideas on how EMDG can deliver the best returns for the Australian economy and job creation within a fixed funding appropriation?

See comments above. To reintroduce the former Export Performance Test.

This will mean there is direct link to grants paid to export sales as in the past.

6. What do you see as the opportunities and benefits for fixed program settings and timing, capable of delivering certainty on timing and meaningful grant amounts? What do you see as the potential downside.

Some.

The more notice of the planned lodgement and milestone periods the better.

Currently such notices are not known until shortly before (days) the EMDG portal can be accessed.

The earlier such advice the better.

The EMDG Portal should be available all year for the entry of data. It will help all stakeholders.

I think the application lodgement and assessment periods should be: -

- March/April - Application lodgement period – minimum 60 days.
- May/June – Grant Offer Tier cap amounts to be known – before the grant year.
- Grant Milestone reporting - July 1 to September 30th (or to be extend as to 31st October as per this year

I expect a lot of applications for Round 4 given that rounds 1, 2 and part of Round 3 expire on June 30th, 2024, and hence there will be an increase in numbers even after rule changes you are suggesting to reduce demand, so it may have to remain at October 31.

The downside is that exporters who find out about the scheme after the lodgement period has closed and therefore miss a year of EMDG coverage – they must wait 12 months or longer to the next round. In my experience this impacts about 5-10% of new clients I talk to.

In terms of your specific questions: -

Closing an EMDG Round once a specified number of applications are reached.

No, this does not help exporters at all.

It only helps the management of scheme demand, by setting an arbitrary figure that is meaningless to an individual exporter. It not equitable between exporters.

In my opinion, it is unfair on exporters and goes against the basic premise of EMDG – if you are eligible in a year, you should be paid a grant.

You have a great risk from lodgement to assessment/approval lag, currently up to 10 weeks or more.

You could lodge an application with a lot of work and then find out after the event, “sorry you are too late”.

It is a terrible idea.

You need to be encouraging applicants, not telling them to go away. As above I think the Minister would be hard pressed to explain this approach.

Establishing a regular program timetable consistent with normal grant processes

Yes.

EMDG needs to remain a yearly program for lodgement purposed with coverage up to 3 years as per Round 1, to enable the forward certainty promoted in the Anna Fisher report.

See earlier comments above.

Reducing opportunities for common errors and reporting burdens associated with payments.

I can only answer in part.

I do not know what the common errors are.

As a lodging agent we prevent those happening in our milestone reports in the first instance. We have a 99% plus accuracy rate on lodgement, consistent with the old scheme as well (98%+)

To reduce overclaiming the use of a knowledgeable lodgement agent like me should be encouraged not discouraged as it now, this would reduce the overclaiming/errors of self-prepared applicants. It would mean less processing work for Austrade.

The idea of a virtual credit card is so bad it makes me cringe.

There is no real-world basis or justification. It is simply a flawed approach.

Most organisations (Austrade included) do not allow staff to have a company card as it simply causes the mixing of company and private expenditure.

The proposed virtual credit card will cause more fraud and accounting work. If you would like me to expand upon this, please give me a call and I will do so.

A credit card statement only records the nature of an expense not its nature as does a transaction listing in an applicant's books that give more accounting information and expense allocation.

An applicant would still have to record the expenditure under the expense headings of the milestone reports (Travel, Tradeshow etc)

It would cause a lot more accounting work for a client. Again, call me a I can give you more details.

This is terrible idea in theory that will be even worse in practice.

- 7. What in your view, is the optimal timing (including round opening, assessment period, milestone reporting and grant payments) for the EMDG program? And do have any feedback on reducing administrative burdens in reporting and payment options?**

Timetable as above.

Yearly. This is a cornerstone of EMDG.

To have a program that you only can apply every 2 years is a nonsense. It not consistent with other programs such as the R&D incentive.

If you miss the lodgement date, you miss up to 3 years of EMDG coverage. It makes no sense whatsoever.

You must lodge a yearly tax return, likewise for EMDG.

You need to be able to lodge a grant application every year if you choose to or not and already in the system – Round 1 covering 3 years.

You need to be paid every year; you need to be able to lodge a milestone every year.

Some improvement suggestions follow: -

Improvements to reduce the reporting burden – Export Sales by Country reporting.

Most clients do not report sales on a country-by-country basis. They do by customer or product line. You must spend a lot of time to produce the table of exports by country which at this time has not benefit to an applicant other than for Austrade’s statistical purposes.

Only if the Export Performance Test is re-instated should the reporting of Export sales by Country be mandatory.

Improvement to reduce the reporting burden – Post Grant period lodgement report.

Remove the requirement for a report 12 months after your grant offer period has been completed.

What is the point of such a report?

You have reported during the period of the grant offer and after it has finished per your last milestone report.

After the event reporting means nothing, what happens if you choose not to do so!

Austrade will have to spend time chasing 10,000 plus reports with no benefit to Austrade/Australia’s export efforts at all.

Such reporting is a complete waste of time for all parties.

8. What combination of changes would best support a sustainable, targeted and efficient EMDG program.

As above.

The main change to happen needs to be the introduction of the Export Performance Test.

All other changes are incidental and are simply about cutting things to meet the reduced funding levels.

Austrade needs to prepare modelling on what it thinks the impact of changes should be, individually and as a combination and publish those before any final decision is made.

Yours sincerely,

Stuart Mitchell

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Mitchell and Co