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Committee Secretariat
Foreign Affairs, Defence and Trade Committee Department of the Senate

Via email: fadt.sen@aph.gov.au

Export Market Development Grants Legislation Amendment Bill 2020 (the Amendment Bill)

I refer to my prior submission, in which I raised productivity gains as the principal reason for the Export Grant Scheme.

I note Appendix D (page 46) of the Report asserts “we consider productivity to be the biggest net contributor to the economy from exporting”.

The Amendment Bill by proposing significantly reduced support for these high achieving companies, undermines the Export Grant scheme’s reason to exist. It directly conflicts with recent recommendations of Innovation and Science Australia and the Standing Committee on Foreign Affairs Defence and Trade, both of whom saw additional support for high growth born global SME’s as an imperative (see attached).

The repositioning of the Scheme away from born globals, to focus on the “micro businesses” referred to on Page IV of the Report is well intentioned. It is a repositioning which fits the Government’s aim of 10,000 new exporters. It should not however, be done at the expense of those companies who will most benefit the nation.

Currently a first time applicant can spend \$15,000 over 2 financial years to qualify for an export grant of \$5,000. My experience has been, these firms are undercapitalised and rarely succeed. It explains the 32% drop out rate of applicants, between years 1 and 2. These low spending “micro businesses” would be best supported through tailored programs such as Tradestart or the other schemes set out in Appendix E to the Report.

As the 2008 Mortimer Review of the Export Market Development Grants Act noted “firms spending less than \$30,000 on export promotion often lack the business planning experience and skills needed to be ready for export”. It also noted the “general business development programs” available to these micro businesses. The additional support to trade bodies recommended by the Review, will assist these types of exporters.

The recommendations in the Report are based on statistical information portraying the “average” EMDG applicant. But average will vary from industry to industry and applicant to applicant.

The reviewer states on Page 16 of the Report that 20% of respondents to the survey identified themselves as born globals. Yet the Review recommends that only limited Tier 2 funding be aimed at “high growth, high impact SME’s”. As Innovation and Science Australia noted productivity gains are maximised within high growth, high impact SME’s. They are not maximised by focusing on the “average” applicant.

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On Page 12 of the Report Swinburne University of Technology found EMDG recipients contributed an additional \$4.8 billion annually in export sales. This backs up research by KPMG to the Lee Review of The Export Grant Scheme in 2015 which found additional tax collections from EMDG recipients, offset the entire cost of the scheme. It found an additional \$6 per dollar spent, in productivity gains. This is an outstanding return to taxpayers.

The statement on page 19 of the Report that “the scheme’s principles remain relevant to SME’s after 45 years, mainly because it doesn’t discriminate between businesses or industries” is not reflected in the Amendment Bill. High growth born globals are the biggest losers in the proposed changes.

Simplification of the EMDG guidelines and certainty of rebate, can be achieved without turning the scheme on its head. Replacing a successful open access scheme into an approval process, substitutes one set of red tape for another.

In the challenging economic times that lay ahead, is in the nation’s interest for our best and brightest to think big and be fully supported in their endeavours to go global.

Thank you for considering these matters.

Yours sincerely

Warren Cross

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- Including specific SME chapters or specific obligations to assist SMEs to access trade opportunities in future FTAs;
- Improving consistency between overlapping FTAs to reduce complexity for business users where the same exported product, for example, may receive different treatment depending on which trade agreement is applied; and
- Strengthening support for a robust system of Certificates of Origin that are accepted globally and for other reputable bodies to issue Certificates of Origin, as long as standards are not compromised.

Recommendation 4

4.140 The Committee recommends that the Australian Government trials a grant programme in selected regional areas for clusters of businesses that wish to collaborate in pursuit of export opportunities, anchored to either geographical provenance or specific sectors.

Recommendation 5

- 6.79 The Committee recommends that the Australian Government review the resourcing of agencies and programmes to assist Australian small and medium enterprises (SMEs) trade internationally as follows by:
- Reviewing the current funding arrangement for the Australian Trade and Investment Commission with a view to ensuring it is adequately funded to continue to deliver high quality services and in line with the recommendations of the report;
 - Assessing the current funding arrangements for the Export Market Development Grant (EMDG) scheme to ensure it meets the growing demand and maintains the real value of individual grants under the EMDG scheme, including investigating strategies to better target the scheme towards high-growth SMEs; and
 - Evaluating the potential for using improved digital technology to reduce the administrative burden of the Export Market Development Grants scheme for applicants.

PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

From little things big things grow: Supporting Australian SMEs go global

*Inquiry into access to free trade agreements by small and
medium enterprises*

Joint Standing Committee on Foreign Affairs, Defence and Trade

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CANBERRA