Export Council of Australia

The Voice for Australia's Exporters

31st May 2013.

Committee Secretary
Senate Foreign Affairs, Defence and Trade Legislation Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Dr Dermody

Inquiry into Export Market Development Grants Amendment Bill 2013

I am writing on behalf of the Export Council of Australia Ltd which represents the interests of Australia's exporters.

Our Council has received feedback from exporters that the Export Market Development Grants Amendment Bill 2013 provides some minor benefits to a small number of exporters at the expense of the vast majority of exporters who currently receive Export Market Development Grants (EMDG).

The parts of the Bill that have a direct impact on exporters are:

1. **Increase the maximum number of grants from 7 to 8**
2. **Allow expenses for exporters who have received 5 grants only in markets other than the USA, Canada and the European Union member states.**

The impact of these parts of the Bill will be to:

- **Reduce the maximum number of grants for most exporters to 5**
- **Increase complexity of claiming grants**
- **Reduce the overall grant amount payable to exporters.**

Reduction in number of grants

The Austrade 2012 Annual Report (Page 92, Figure 15) lists the top 6 countries targeted by EMDG recipients. While most recipients target more than 1 country the Annual Report indicates that 55% of all applicants target the USA and 54% target UK and Germany. This supports the observation by exporters that most EMDG recipients will be limited to a maximum of 5 grants. Currently these exporters are able to receive a maximum of 7 grants so the Bill will actually reduce the number of grants these exporters will receive.

It is acknowledged that exporters who target markets other than the USA, Canada and the European Union member states will be a position to receive a maximum of 8 grants; however, this is only one more grant than they currently receive.

There will be many exporters who target numerous markets including the USA, Canada and the European Union member states and other countries. While some of these exporters may receive an additional grant, it is likely that their grant payments will be significantly less if the Bill is passed. The reason for this is that the EMDG Act provides grants only in excess of the first $10,000 of eligible expenditure.

In summary:

- **Most exporters claiming EMDG will be limited to a maximum of 5 grants if the Bill is passed, rather than the current maximum of 7 grants ***
- **Of those exporters that may be able to claim one extra grant if the Bill is passed, many will receive less in total grants in grant years 6 - 8.**
- **The smaller the business of the exporter, the greater the impact the proposed change will have on the business due to the $10,000 non-grantable deduction.**

*(*Based on data received from the Export Consultants Group it is their belief that less than 20% of exporters would claim Grants after the first 5*)

Increase in complexity of claiming grants

Many expenses claimed by exporters cover various countries. This includes travel to more than one country, participation in trade shows where buyers attend from all over the world, a website targeting all countries, production of brochures and advertising for many markets.

In grant years 6 – 8, exporters will be able to claim only in respect of countries other than the USA, Canada and the European Union member states. With expenses such as travel, trade shows, websites, brochures and advertising there will a requirement for exporters to apportion the expense between the excluded countries and the eligible countries. This is more complex than it appears as exporters would be required to maintain records or provide other evidence to justify any apportionment.

In summary:

- **Exporters claiming for grant years 6 – 8 will be required to maintain records to substantiate apportionment of most expenses**
- **Subjective apportionments are more likely to be used in applications by exporters and will be difficult for Austrade to substantiate**
- **Smaller businesses will be discouraged from applying in grant years 6 – 8 as they will find the complexity too onerous for the likely grant amount that could be received**

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Conclusion:

The EMDG scheme over many years has provided essential assistance for many thousands of Australian Exporters in their quest to expand overseas. At a time when Australia should be encouraging companies to increase sales abroad, instead we are reducing the export support for companies (reduction of $25million in the scheme).

The statistics on EMDG claims, and also the just released 2013 DHL Export Barometer, indicates that the USA is the number 2 export market for Australia's exporters (after NZ) and Europe is in the top 5. In a high dollar/high cost environment, many companies find that their products and services can only find buyers in the established markets of North America and Europe. The Government purports to support innovative and advanced export products and services, and the main markets for those products and services are the USA and Europe.

While we certainly see great potential in Asia also, we do not believe that the scheme should be politicised to force businesses to focus on Asia. Along with high growth in the region there can often be high risk.

Accordingly for the reasons outlined above we believe that the amendment bill in its current form is a retrograde step for the Exporters of Australia.

Yours sincerely,

Dianne Tipping
Chairman.