



13th October 2020

**Committee Secretary
Senate Standing Committees on Rural and Regional Affairs and Transport
PO Box 6100
Parliament House
Canberra ACT 2600**

**Phone: +61 2 6277 3511
Fax: +61 2 6277 5811
rrat.sen@aph.gov.au**

RE: INDUSTRY RESPONSE TO PROPOSED CHANGES TO THE EMDG PROGRAM

Dear Committee Secretary,

Please accept this email on behalf of the Cairns Aquarium & Reef Research Centre Pty Ltd in respect to the amendments the Australian Government is looking to make to the EMDG program.

The Cairns Aquarium is an iconic tourism attraction in Cairns showcasing 16,000 fish and aquatic organisms of the Great Barrier Reef and Wet Tropics rainforest to over 300,000 visitors per year.

The Cairns Aquarium was built between 2015-2017 at a cost of \$50.0m. 250 jobs were created between 2012 and 2015 in design and engineering, and 650 jobs were created during the two years of construction. There are currently 50 staff employed for day to day operations.

At least 25% of our visitors, some 75,000 p.a are international tourists to Cairns. The Cairns Aquarium is a major drawcard and provides tourists with a guaranteed interaction and education of the Great Barrier Reef biodiversity which is often utilized prior to a reef trip. The business generates around \$10.0m in revenues per year and utilizes 200 Australian suppliers of goods and services for the day to day operations of the business.

The Cairns Aquarium recently celebrated its 3rd birthday. Its exports are worth \$2.5m per year in sales of entry tickets, tours and souvenir merchandise to overseas tourists or overseas travel wholesalers or agents. We have been very proactive in marketing the attraction, the destination and Australia to overseas travel wholesalers, distributors and travel agents through direct market engagement and export market promotion such as participation in the following:

- Oversea trade missions with the Queensland Government
 - Queensland on Tour – India
 - Queensland on Tour – Europe and UK
 - Queensland on Tour – USA/Canada
 - Queensland on Tour – Japan
- Overseas sales trips (Asia, Europe, North America, NZ) – direct to customers
- Overseas sales trip to promote the Aquarium for the education market
- Overseas advertising
- Chinese, Japanese, Korean brochures, maps, etc
- ATEC - Inbound Up North
- Exhibiting at ATE (Australian Tourism Exchange) Perth and Adelaide
- Exhibiting at Marketplace USA and Europe
- Promotion through TA website and overseas offices

Prior to international border closures, our international visitor numbers were rising sharply and the considerable effort we have put into export marketing activities has been key to this.



As a relatively new tourism business, the EMDG program has been vital in enabling us to spend \$250,000 (2019) and \$430,000 (2020) on promoting the business and attracting increased international visitors.

The current EMDG program works incredibly well and we do not believe changing it will be beneficial. We are very concerned that the proposed changes will adversely impact ours and other tourism operators' ability to access the program. Our rationale is that:

- 1) Previously an applicant could combine two financial year applications into one application and then do a further seven applications. Therefore, claiming nine years marketing expenses rather than 8 years' worth of marketing expenses.
- 2) The maximum grant under the proposed changes in the first two applications is \$40,000 per year. Under the current scheme it is \$150,000 per year. Many applicants go hard on the marketing as they launch into export to get the brand or product recognition. This reduction in funding prevents this.
- 3) Under the current scheme the applicant is able to choose what export markets to target, what marketing strategies to employ etc, for each of the eight applications. Under the proposed changes in year 6, 7 and 8 only expenses targeting 'New Markets' could be claimed. Most applicants need to continue to market to the established or growing markets while dabbling in the 'New Markets'. Not being able to claim the previous countries claimed under the proposed changes would force them to drop out of EMDG and also possibly not explore 'New Markets' as they would not have EMDG assistance helping with the other international marketing efforts that must continue. Therefore, resulting in little 'New Markets' marketing and a significant drop off in other international marketing.
- 4) Under the current scheme an applicant could apply for a maximum of \$150,000 a year for a total of \$1.2 million over the eight applications. Under the proposed changes the maximum EMDG assistance that could be received by an applicant is \$770,00 a reduction of \$430,000. The reduction is even greater if you factor in most applicants are unlikely to be able to claim years 6, 7, and 8.
- 5) Pre-Approval requires lodging of a plan with Austrade outlining marketing strategies and activities to be carried out along with the budget for these expenses. Items not included in this plan cannot later be added, i.e Tourism Australia announces a new trade mission after the plan has been submitted. Under the current scheme applicants have a broad understanding of the types of expenses that can be claimed under EMDG and make decisions based suitability to their business and then lodge an application at the end of the financial year. The new scheme while based on Pre-Approval still works on a reimbursement model of proving expenses after the marketing has occurred. The practical details of which are yet to be determined but in reality, need similar to the current model.
- 6) In the current COVID economic climate it is difficult to commit to a marketing plan or strategy 2 months out let alone the suggested 2-3 years. Even under the best case scenario of a successful vaccine and opening of the borders it is difficult to believe most exporters across all industries would have the ability or willingness to commit to submitting a comprehensive 2-3 marketing plan in July 2021 as is proposed by these changes. This would then mean normally eligible expenses that would occur as the world returns to a sense of normality would be excluded and as a possibly result in the marketing opportunity forgone due to restricted cashflow and lack of govt assistance.

In summary:

- 1) That the current EMDG rebate system works well and changing it will adversely impact on our business and ability to continue to promote the Cairn Aquarium and Australia to international markets.
- 2) EMDG has been incredibly beneficial in supporting the Cairns Aquarium to undertake more export marketing earlier which has resulted in higher export sales and employing more staff in Australia.
- 3) The Cairns Aquarium has received one EMDG grant of \$120,000 as a first year claim and is in the process of working through a second year claim to be lodged in late October 2020.



- 4) The new rules will affect the Cairns Aquarium in that we will unlikely to be able to claim in the future, won't meet criteria for new markets, planning for years in advance to get funding isn't realistic, the business needs to be able to make decisions as soon as opportunities arise and the proposed legislation makes that difficult (whereby there is no certainty that Austrade will approve new activities).
- 5) Inability to claim will result in potential of decreased export marketing spend as the business has to bear 100% of the costs which will be difficult post Covid-19 and could lead to lower export sales, reduced employment and reduced expansion.
- 6) The existing EMDG program works because we have certainty that if we spend in accordance with the legislation, we will receive our grant. It allows flexibility to market to whatever country we want for 8 years and the business gets to make its own decisions rather than following a 3 tier approach which isn't applicable to our business model.

The Cairns Aquarium team is passionate about increasing exports and being able to undertake increased export marketing activities is key to enticing more international visitors to come to Australia.

Thank you for reviewing this letter and considering the harmful and restrictive impacts the proposed changes to the EMDG program could have on a mid-sized, regionally significant tourism export business such as the Cairns Aquarium.

Sincerely Yours,

Daniel Leipnik
CEO & Founder

