

EXPORTISE

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Terms of Reference

The Joint Standing Committee on Foreign Affairs, Defence and Trade shall examine and report on opportunities for expanding Australia's trade and investment relations with the countries of Asia, the Pacific and Latin America, with particular attention to:

- the nature of existing trade and investment relations;
- likely future trends in those relations;
- the role that these countries might play in advancing the DOHA round of multilateral trade negotiations in the WTO; and
- **the role of the Government in identifying opportunities and assisting Australian companies, especially those in rural and regional areas, to maximise opportunities in these regions.**

The role of Exportise is to assist exporters in accessing the Export Market Development Grants (EMDG) scheme. The author is the Melbourne Director of Exportise and has been consulting to exporters for over 25 years. My expertise relates to government assistance programs so I will confine my comments to the final dot point in the terms of reference.

Is it the role of government to assist exporters?

Exporting has never been easy for many reasons eg distance, time zones, language barriers, currency risks, lack of resources etc.

Depending on what school of thought you belong to, you may consider it is one of the roles of government to encourage business to expand beyond the Australian borders and EMDG has been the major practical scheme that has been in existence for more than 30 years to help exporters.

Who should receive assistance and why?

The way EMDG is currently structured it is meant to assist SMEs to produce substantial net benefits for Australia. I would argue that the EMDG scheme is a good scheme but it has lost much of its ability to produce "substantial net benefit" because of measures that have been implemented to cut costs.

In 1982/83 the export grant scheme that was in place paid out \$280M. If that figure was indexed by the CPI over the years, current payments would be close to \$900M per year. Instead we have been limited to \$150M per year for the last 10 years and have only just achieved an increase to \$200M for 2008/09 and 2009/10. The forward estimates cut the grants budget back to \$150M per year after that. I am hopeful that these figures will be revised upwards after an announcement is made in relation to the Mortimer Committee report.

Does the current EMDG scheme work?

The EMDG scheme has been reviewed on numerous occasions and the conclusion has always been that it easily pays for itself by way of increases in export earnings. The only variable that is not firm is the multiple that is achieved. I believe that the range is somewhere between \$7 and \$25 of export earnings for every dollar of EMDG that is paid to exporters.

What changes could be made to improve the system?

If the government accepted that the EMDG scheme does produce positive results then the question becomes how it should be focused to produce the best results. A lot of the changes that have been made over the years have seen the scheme focused on small companies just getting started in export. My experience says that this focus results in less benefit than could be achieved if there was incentive given to companies that were already successful exporters. Getting an exporter from \$5M a year in exports to \$10M per year is going to be easier than finding some start up exporters to cumulatively produce \$5M in exports.

I am not arguing that the government should not assist small companies. I am proposing that the budget for export incentives should be larger. We should be looking for the large increases that can be achieved by existing exporters being prepared to take risks to enter new markets and also to support all new entrants so that the occasional big success story will get their chance to make a start. Anyone who argues that a lot of the grant money is wasted because it is paid to companies that do not succeed needs to look at just how difficult it is to pick winners. To make sure that the winners are supported it is necessary to help everyone who wants to have a go at export and the winners will pick themselves. The rest will fall by the wayside and any money that has been paid to them needs to be seen as a cost of finding the success stories.

Michael Rogers
Director
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