

**Senate Foreign Affairs, Defence and Trade Legislation Committee**

Budget estimates 2010-2011; June 2010

Answers to questions on notice from Austrade

**Question 1**

**Topic: Securrency**

**Senator Brandis asked:**

1. Can Austrade provide a list of the countries in which it has provided assistance to Securrency and Note Printing Australia?
2. Can Austrade provide a copy of the background check on Mr Abdul Kayum and on Aksavest.
3. Was Austrade involved in an audit by Freehills?
4. What was the date the background check was requested?
5. Can Austrade provide a copy of its global agreement with Securrency?
6. Can Austrade provide a complete copy of its file on Securrency?
7. How many Austrade staff were involved in conducting the background check on Abdul Kayum and Aksavest?
8. Did Austrade advise Securrency that it believed that Mr Luong was a representative of the Vietnamese intelligence agency, the Ministry of Public Security and that Securrency should be careful about any financial exchanges?
9. Provide a copy of the background check into Mr Luong, CFTD and Bantech.
10. When did Austrade hand the background check on Mr Luong to Securrency (date)?
11. Did Austrade do background checks on Nigerian residents Michael Harding, or Benoy Berry or any other Nigerian resident?
12. If the answer is yes, what was the date those background checks were requested, what was the date when they were provided to Securrency and can copies of those checks be provided to the Committee?
13. Was there a report on Mr Luong and CFTD prepared by Mr Patrick Stringer, who was at the time Austrade's STC for Vietnam?

## Senate Foreign Affairs, Defence and Trade Legislation Committee

Budget estimates 2010-2011; June 2010

Answers to questions on notice from Austrade

### Answer

1. Austrade can confirm services have been provided to Securrency since late 1996, in line with the agency's role as the Government's trade and investment development agency, regarding the following markets:

- Argentina
- Bangladesh
- Brazil
- Cambodia
- Canada
- Chile
- China
- Colombia
- Costa Rica
- Dominican Republic
- Egypt
- Fiji
- Germany
- Guatemala
- Haiti
- Hong Kong
- Hungary
- India
- Indonesia
- Iraq
- Israel
- Lebanon
- Malaysia
- Mexico
- Nepal
- Nicaragua
- Nigeria
- Pakistan
- Paraguay
- Peru
- Philippines
- Poland
- Romania
- Saudi Arabia
- Seychelles
- Singapore
- Spain
- South Africa
- South Korea
- Taiwan
- Thailand
- Turkey
- UAE
- UK
- Uruguay
- USA
- Venezuela
- Vietnam

In many cases, Austrade does not have a presence in country, and the assistance has been coordinated via Austrade offices in the region and/or has been delivered on Austrade's behalf by an external service provider.

Austrade has provided assistance to NPA in the following countries:

- USA
- Bangladesh
- UAE
- Malaysia
- Nepal
- Vietnam

2. A copy of the background checks undertaken on Mr Abdul Kayum and Aksavest is at **Attachment A**. The reports were sourced from local service providers in Malaysia and provided to Securrency unaltered.

**Senate Foreign Affairs, Defence and Trade Legislation Committee**

Budget estimates 2010-2011; June 2010

Answers to questions on notice from Austrade

3. No, to the best of our knowledge, Austrade has not been involved in an audit of Securrency by Freehills.
4. The background check was requested on 3 July 2007.
5. Austrade has had global service agreements for the financial years 2007–08, 2008–09 and 2009–10. The global service agreements are provided at **Attachment B**.
6. Austrade maintains an internal electronic Customer Relationship Management (CRM) system which provides a central file of the work we undertake for clients across all markets.

The Australian Federal Police has expressed concern over the release of this document on the grounds that its release could prejudice ongoing investigations. Accordingly, the AFP has requested that this material be “withheld from public release at this point in the investigation”.

Austrade has discussed this issue with the Committee Secretariat and intends to write to the Committee outside the estimates process on this matter.

7. The background checks on Abdul Kayum and Aksavest were prepared by external service providers. The request was coordinated through Austrade’s Melbourne office, and was organised in market by our Trade Commissioner and Business Development Manager, and provided unaltered to Securrency.
- 8, 9, 10, 13. The Australian Federal Police has expressed concern over the release of these documents on the grounds that their release could prejudice ongoing investigations. Accordingly, the AFP has requested that this material be “withheld from public release at this point in the investigation”.

Austrade has discussed this issue with the Committee Secretariat and intends to write to the Committee outside the estimates process on this matter.

Austrade has not prepared a background check on Banktech.

11. Austrade has not conducted background checks on any companies based in Nigeria. Austrade has completed a background check on Mr Benoy Berry/Global Secure Currency Ltd, based in the UK.

On 25 July 2008, Securrency requested a background check on Mr Michael Harding of JHM Global based in the UAE. Dun & Bradstreet were unable to locate this company. On 1 August 2008, Securrency was advised that Austrade was not able to source this background report.

12. The background check on Benoy Berry/Global Secure Currency Ltd was provided on 22 February 2007. The background check is provided at **Attachment C**.

**Senate Foreign Affairs, Defence and Trade Legislation Committee**

Budget estimates 2010-2011; June 2010

Answers to questions on notice from Austrade

**Question 2**

**Topic: Brand Australia**

**Senator Macdonald asked:**

How much is to be spent on consultants. Can Austrade provide the committee with a detailed breakdown of the costs?

**Answer**

In 2009–10 the Building Brand Australia program spent \$1.820 million on services provided by the brand creative agency mainly in the form of agency fees and research supporting the development of the Brand.

The forecasts for expenditure on consultants for 2010–11 and the out years are \$3.0 million, \$1.8 million and \$1.0 million, respectively.

**Question 3**

**Topic: EMDG**

**Senator Macdonald asked: \**

1. Please provide a copy of the final distribution pool figures when processing closes in mid-June.
2. How many representations has Austrade received on the reduced 2<sup>nd</sup> tranche payout figure?
3. Please provide the amount paid to date in 1<sup>st</sup> tranche payments.

## Senate Foreign Affairs, Defence and Trade Legislation Committee

Budget estimates 2010-2011; June 2010

Answers to questions on notice from Austrade

### Answer

1. The final distribution pool figures for 2009-10 are shown in the table below:

	EMDG appropriation for 2009–10 financial year	\$200,400,000
<i>Plus</i>	Additional carryover amount for previous grant year payments	\$7,732,696
<i>Less</i>	Aggregate amount paid as first tranche payments for 2008–09 grant year and payments from previous grant years	\$142,396,925
<i>Less</i>	Administration costs for 2009–10	\$10,020,000
<i>Equals</i>	Amount available for 2008–09 grant year second tranche payments	\$55,715,771
	Aggregate assessed second tranche entitlements for the 2008–09 grant year	\$75,354,963
<i>equals</i>	Second tranche payout factor for the 2008–09 grant year	73.94 per cent
<i>leaving</i>	Funds shortfall	\$19,639,192

2. Two hundred and fifteen representations concerning the second tranche payment and related EMDG budget issues were referred to Austrade by the Minister for Trade between 26 March and 8 October 2010.
3. The amount paid in 2009-10 in 1<sup>st</sup> tranche payments for the 2008-09 grant year totalled \$134,664,229.

### Question 4

#### **Topic: FDI**

#### **Senator Macdonald asked:**

1. How many investors has Austrade assisted to subsequently export?
2. How many Austrade customers have actually invested in Australia?
3. How many of Austrade's staff have recent foreign direct investment attraction experience?
4. How many Austrade staff are dedicated to FDI activities?

## Senate Foreign Affairs, Defence and Trade Legislation Committee

Budget estimates 2010-2011; June 2010

Answers to questions on notice from Austrade

### Answer

1. Austrade assumed responsibility for promoting, attracting and facilitating productive Foreign Direct Investment (FDI) on 1 July 2008 and since then has assisted with 115 investment projects that are forecast to generate \$4.535 billion in exports once fully operational. Investment projects typically take at least 18 months to fully establish operations and commence exporting. To date Austrade has assisted four of these recent foreign investors with exporting from Australia. Assisting investors with exports will be a greater focus for Austrade over the next few years as increasing numbers of investment projects establish and become export ready.
2. Since 1 July 2008, three Austrade customers (foreign companies who have purchased Australian goods) have invested in Australia. In addition, 25 Austrade customers are actively considering investment projects in Australia and 219 have been identified as prospective investors.
3. 74 Austrade staff have recent foreign direct investment attraction experience. In addition, in 2009–10, 76 Austrade staff participated in Austrade's intensive residential Winning Investment for Australia course.
4. Austrade has 30 Investment Managers, four Senior Trade and Investment Commissioners and 8 staff in the Australian based Investment Unit. In addition, 116 staff offshore and 49 staff on-shore are required to dedicate part of their work to investment lead generation or facilitating investment projects.

### Question 5

#### **Topic: Russian companies**

#### **Senator Bob Brown asked:**

1. Did Austrade officials meet with the Head of United Company Rusal, Mr Oleg Deripaska or his staff, when he was in Australia this year? If so who met with him and what was discussed?
2. Did the Minister for Trade or any staff from his office meet with Mr Deripaska when he was in Australia this year? If so what was discussed?
3. Is Austrade aware of any plans by United Company Rusal or Norilsk Nickel to expand their interests in Australia? If so, what are they?
4. Have Austrade officials or the Minister for Trade or any of staff from his office met with United Company Rusal's Australian representative John Hannagan in the past two years? If so what was discussed?

**Senate Foreign Affairs, Defence and Trade Legislation Committee**

Budget estimates 2010-2011; June 2010

Answers to questions on notice from Austrade

5. Have Austrade officials in Australia or Russia provided any information briefings to the Foreign Investment Review Board about United Company Rusal in the past two years?

**Answer**

1. No. However, Austrade officials did attend a breakfast seminar and luncheon where Mr Oleg Deripaska was guest speaker.
2. No.
3. Information provided to Austrade by overseas investors is held on a Commercial-in-Confidence basis.
4. Yes. Austrade officials have met with Mr Hannagan.

Austrade's assistance to Mr Hannagan is consistent with that offered to any other international investor. Austrade has provided information relating to Rusal's investments in Australia, facilitated contact with relevant state government(s) and provided information regarding Australia's visa application process.

5. No.

**Question 6**

**Topic: Russian companies Alpha Inform and United Company Rusal**

**Senator Bob Brown asked:**

1. How often have Austrade's Russian representative/s met with or had contact with the Russian security firm Alpha Inform in the past 12 months? What was discussed in these meetings or contacts?
2. How often have Austrade's Russian representative/s met with or had contact with representatives of United Company Rusal in the past 12 months? What was discussed in these meetings or contacts?
3. How often has Austrade engaged the Russian firm Alpha Inform to provide security services in the past two years?

**Answer**

1. There were no meetings with Alpha Inform in the past 12 months. However in the last two years Austrade used Alfa-Inform on four occasions for the provision of security services and background checks on commercial entities.

## Senate Foreign Affairs, Defence and Trade Legislation Committee

Budget estimates 2010-2011; June 2010

Answers to questions on notice from Austrade

2. Austrade has formally met with UC Rusal four times in this past 12 months and has had additional contact via email and telephone as required.

Formal meetings focused on:

- co-ordination and support for a Queensland State Government visit
- UC Rusal business plans, including its Australian operations
- planning for an UC Rusal visit to Australia.

Additional contact has been consistent with that offered to any other international investor and focused on:

- assistance with visa enquiries
- facilitating communication with relevant state government(s)
- provision of requested business matching information.

3. As per the answer to question 1 above, in the last two years Austrade used Alfa-  
Inform on four occasions for the provision of security services and background checks on commercial entities.

### Question 7

#### **Topic: Export Markets Development Grants Scheme (EMDG)**

#### **Senator Trood asked:**

1. On page 78 of the *Portfolio Budget Statement* the revised budget for the EMDGS for 2009-10 is stated to be \$200,400,000 while the figure for 2010-11 and beyond is only \$150,400,000. Is that correct?
2. At the same time as the budget is being cut by \$50,000,000 the Government is expecting the number of grant recipients to fall by only about 50, according to the table of Key Performance Indicators on page 78. How did the Department arrive at that figure for 2010-11 grant recipients and what is the likely impact on the funding of grants exporters will receive?
3. The Government has introduced a Bill into the parliament to make some changes to the criteria for the scheme. How would these changes impact on the amount the Government expects to spend and the amounts that exporters are likely to receive?
4. Was this legislation based on the level of funding currently in the budget, if not, on what was the funding level based?
5. Was industry consulted about the elements contained in the legislation? Which organisations were consulted on these changes?
6. Was there broad agreement by industry groups on the need for these changes?



**Senate Foreign Affairs, Defence and Trade Legislation Committee**

Budget estimates 2010-2011; June 2010

Answers to questions on notice from Austrade

7. Were these discussions with industry based on a particular level of funding? What was that level of funding?
8. In the modelling for EMDG what level of funding does the Department believe would be needed to deliver these changes and give recipients confidence in receiving a 100% payout?
9. Are these changes broadly consistent with the recommendation of the Mortimer Review?
10. Did Mr Mortimer recommend that funding for the scheme be set at \$200,000,000?
11. Is it reasonable to assume that so far the Government has acted on some of those recommendations that effectively limit access to the scheme by exporters without providing the additional money as recommended by Mr Mortimer?
12. Is the Department aware of any plan to deal with this shortfall?

**Answer**

1. Yes, that is correct.
2. Austrade estimates that the number of grant applicants (not recipients) for the 2009–10 grant year, claimed in 2010–11, to be around 5,100, a reduction of 49 applications on the number received for the 2008-09 grant year. This marginally reduced figure takes into account that the number of applications for the previous grant year (2008–09) was boosted by a one-off surge in year eight applications (due to a change in eligibility criteria in 2008, applicable for the first time in that grant year), which will not be sustained for the 2009–10 grant year but is likely to be partly offset by underlying growth in applications. Grant recipients for grant year 2009–10 (claimed in 2010–11) will be paid up to an Initial Payment Ceiling Amount of \$27,500. This means that all eligible recipients with a grant entitlement of up to \$27,500 will receive their full payment when they are assessed. Eligible recipients with a grant entitlement of more than \$27,500 will receive a second payment in June 2011 dependent on available funds.
3. The *Export Market Development Grants Amendment Act 2010* does not impact on grants or expenditure in 2010–11. The amounts that exporters are likely to receive are determined by available funding as well as the scheme's eligibility criteria. The legislation will bring the scheme's provisions into closer balance with the scheme's available funding.
4. Cost projections for the *Export Market Development Grants Amendment Act 2010* were based on a EMDG budget of \$200.4 million indexed. The current forward estimates for EMDG from 2010–11 are \$150.4 million per annum.

**Senate Foreign Affairs, Defence and Trade Legislation Committee**

Budget estimates 2010-2011; June 2010

Answers to questions on notice from Austrade

5. Yes, industry was consulted about the elements contained in the legislation. The organisations consulted were the Australian Chamber of Commerce and Industry, the Australian Industry Group and the Australian Institute of Exports (includes EMDG consultants).
6. Yes, there was broad agreement by industry groups on the need for these changes.
7. The discussions with industry were based on achieving a better balance between the scheme's legislative provisions and particular levels of funding, with the funding scenario of \$200.4 million discussed.
8. In the modelling for EMDG, the estimated level of funding needed to deliver these changes and give recipients confidence in receiving a 100% payout is \$200.4 million.
9. These changes pick up the major threads of the Mortimer recommendations and focus on areas identified which will bring the scheme provisions into closer balance with the available budget.
10. Mr Mortimer did not recommend any specific funding level for the scheme.
11. The Government has taken action to reduce demand for the scheme, reduce the number of grants, increase the minimum expenditure threshold, and remove approved trading house provisions.
12. Questions relating to the future funding of the scheme are for the Government to answer.