

Chapter 1

Introduction

Background

1.1 On 13 February 2013, the Hon Dr Craig Emerson MP, Minister for Trade and Competitiveness and Minister Assisting the Prime Minister on Asian Century Policy (the minister), introduced the Export Market Development Grants Amendment Bill 2013 (the bill) into the House of Representatives. The bill passed the House on 14 March 2013 and was introduced in the Senate on 18 March 2013.

1.2 On 16 May, the Senate referred the bill to the Senate Foreign Affairs, Defence and Trade Legislation Committee (committee) for inquiry and report by 17 June 2013.

Purpose of the bill

1.3 The bill amends the *Export Market Development Grants Act 1997* (EMDG Act) in relation to the Export Market Development Grants (EMDG) scheme. The changes to the scheme stem from the Mid-Year Economic and Fiscal Outlook (MYEFO) decision to concentrate the EMDG scheme 'more heavily on small businesses exporting to East Asian and frontier and emerging markets.'¹ The MYEFO decision and associated policy changes were expected to deliver annual savings of \$25 million. The reduction of funding by \$25 million, will reduce the total amount available for EMDG grants from some \$150 million to \$125 million.² Overall, this measure will save \$100 million over four years, which will be redirected to support other Government priorities.³

1.4 The 2013–2014 Portfolio Budget Paper confirmed that the scheme would be realigned and that savings of \$25 million would be made 'to reflect the Government's emphasis on East Asian and emerging and growth markets, while returning an on-going saving to the budget of \$25 million per annum'.⁴

1.5 According to the minister, the number of grants available in East Asian and frontier and emerging markets would increase from seven to eight, which would 'better help Australian exporters maximise the potential of the Asian century'. He explained that this increase would offer 'Australian small- and medium-size exporters a slightly longer and more commercially realistic period to become established in these markets'. To offset these additional grants, however, the number of grants to the United States (USA), Canada, United Kingdom and the European Union, would be

1 Dr Craig Emerson, Second Reading, House of Representatives *Hansard*, 13 February 2013, p. 1126.

2 Mr Bruce Gosper, *Committee Hansard*, Estimates, 14 February 2013, p. 104.

3 Mid-Year Economic and Fiscal Outlook, p. 226, http://www.budget.gov.au/2012-13/content/myefo/download/2012-13_MYEFO.pdf (accessed 17 June 2013).

4 Portfolio Budget Statements 2013–2014, Australian Trade Commission (Austrade), Agency Resources and Planned Performance, p. 66.

reduced from seven to five.⁵ The minister explained that in such mature markets the Australian brand was 'already well known and accepted and small business typically face less barriers to doing business.' He stated:

The increased focus of the EMDG scheme on emerging and frontier markets brings EMDG into closer alignment with Austrade's broader trade priorities following its review in 2011 and the government's Asian century policy agenda.⁶

1.6 While the bill's intention is to increase the maximum number of grants from seven to eight and reduce the number of grants from seven to five for expenses incurred promoting exports to markets in the USA, Canada and the European Union member states, it also provides for a number of other changes to the EMDG scheme. They include amendments that would:

- prevent the payment of grants to applicants engaging an EMDG consultant assessed as not a fit and proper person;
- prevent further approval of joint ventures after 30 June 2013;
- remove event promoters from the scheme;
- require applicants to acquit claims by paying for claimed expenses;
- enable a grant to be paid more quickly where a grant is determined before 1 July following the balance distribution; and
- enable the minister to make a determination to specify a percentage of the scheme's appropriation to fund administration for a financial year.⁷

1.7 According to the Hon Mr Kelvin Thomson MP, Parliamentary Secretary for Trade, these proposed changes 'address a number of administrative issues reducing compliance costs for several types of applicants and increasing the public's confidence in the probity of the applications prepared by consultants'.⁸

Conduct of the inquiry

1.8 The committee advertised the inquiry on its website and in the *Australian* on 22 May 2013. It wrote to relevant ministers and departments calling for written submissions and also contacted a number of other organisations, including exports consultants, commentators and academics inviting them to make submissions to the inquiry. The committee received 21 submissions including two confidential and two supplementary ones, which are listed at Appendix 1. The committee held a public

5 Dr Craig Emerson, Second Reading, House of Representatives *Hansard*, 13 February 2013, p. 1126.

6 Dr Craig Emerson, Second Reading, House of Representatives *Hansard*, 13 February 2013, p. 1126.

7 Explanatory Memorandum, *Export Market Development Grants Amendment Bill 2013*, (Explanatory Memorandum), Outline.

8 *Submission 9*, p. [5].

hearing on 7 June 2013. Witnesses who appeared at the hearing are listed at Appendix 2.

1.9 In undertaking the inquiry, the Senate asked the committee to consider in particular the following matters:

- the consultation process with industry and other stakeholders;
- the possible impact on exporters, particularly small exporters; and
- the structure of the 'fit and proper person' test.⁹

1.10 In the following chapters, the committee considers the seven main changes that the bill introduces. It starts by providing some background on the EMDG scheme and then looks at:

- the proposed increase in the number of grants and the offsetting reduction in grants in respect of USA, Canada, UK and the European Union States;
- the proposed fit and proper test for EMDG consultants;
- joint ventures no longer eligible;
- events promoters no longer eligible;
- payments to be made directly by the applicant;
- Austrade's administrative costs; and
- disbursement of payments.

1.11 The committee also examines the nature and extent of the consultation process that took place before the announcement of the changes and the introduction of the legislation.

Acknowledgements

The committee thanks all those who assisted with the inquiry

9 Selection of Bills Committee, *Report No. 5 of 2013*, 16 May 2013.

