



SANDILANDS EXPORT

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Committee Secretary

Senate Foreign Affairs, Defence and Trade Legislation Committee

PO Box 6100

Parliament House

CANBERRA ACT 2600

Dear Dr Dermody

Re: Export Market Development Grants Amendment Bill 2013

With reference to the above Amendment Bill, I am writing to express my concerns over the potential impact on exporters.

Sandilands Export is a family consulting business which specialises in the Export Market Development Grants (EMDG) program. It has been operating in this field since 1986. I am a member of the National Executive of the Export Consultants Group, which is affiliated with the Export Council of Australia, formerly the Australian Institute of Export.

It is noted that the Senate has asked your Committee to consider in particular

- 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.

I would like to comment on the first two subjects.

Firstly I believe that the Amendment Bill was introduced without much, if any consultation with industry. Further it totally disregarded the recommendations of the recent "Inquiry into Australia's Trade and Investment Relations with Asia, the Pacific and Latin America". The report on this enquiry by the Joint Standing Committee on Foreign Affairs, Defence and Trade was published in July 2011. It was prepared following an extensive (and expensive) inquiry which included substantial meetings and interviews with industry, industry associations, consulting organisations and other stakeholders.

A key recommendation by this Joint Standing Committee was **"that, in view of the benefits arising from the Export Market Development Grants Scheme, it should continue indefinitely and be fully funded to provide certainty for exporters seeking to widen their overseas market focus"**.

Secondly I am concerned that some of the key provisions of the Amendment Bill will further erode the benefits of the EMDG scheme particularly on small to medium size exporters. I totally concur

with the amendment which increases the maximum number of grants to eight. However I do not support reducing the number of grants relating to the USA, Canada and the European Union to five. This approach will have a huge impact on smaller exporters who are already struggling against the effects of the strong Australian dollar, increased competition from China and other developing countries and the on-going effects of the GFC, particularly in the USA and Europe.

While it is admirable to focus on emerging markets, particularly in the Asian region, Australian businesses which have potential in the established markets should not be penalised. As the US is recovering from the GFC, there is increased opportunity for quality Australian products and services in that region, and our exporters should be encouraged to exploit these. Of further concern with this amendment clause is the detrimental effect on exporters who have diligently planned their promotional activities and have budgeted for EMDG support in long term plans. Those exporters currently in the fifth year of the program who have recently appointed representatives on a minimum contract of 12 months (as required by Austrade) suddenly find that they will not qualify for EMDG support for this substantial commitment.

Until recently one of the key benefits of the EMDG program was the certainty with which exporters could plan their promotional activities and budget for EMDG support. This should not be taken away from them.

I am aware of the budgetary constraints on Government with regard to industry assistance programs. However the EMDG is quite unique in this regard in that:

- it is a partial reimbursement on selected marketing expenses (not a grant in the true sense of the word)
- the EMDG is assessable income in the year of receipt, providing some draw back to the Government
- it fosters an environment to encourage small to medium size Australian businesses to look beyond our shores for trade
- there is identifiable return on investment for the Australian economy through the receipt of foreign revenue
- it generates jobs in Australia

These benefits were recognised by the Joint Standing Committee in its report of July 2011.

Based on the above, I strongly believe that the Bill in its current form should be rejected by the Senate.

I would welcome the opportunity to respond to any queries from the Committee.

Yours Sincerely

Peter Sandilands
Managing Director