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MEMBER : EXPORT CONSULTANTS GROUP

Dr Kathleen Dermody  
Committee Secretary  
Senate Foreign Affairs, Defence and Trade Legislation Committee  
PO Box 6100  
Parliament House  
Canberra ACT 2600

Dear Dr Dermody

### **EMDG Amendment Bill 2013**

Exportise (NSW) Pty Ltd has been assisting Australian exporters to access the Export Market Development Grants program for over 35 years and appreciates the invitation to comment on the proposed legislation.

In line with the particular topics outlined in your letter of 21 May 2013, and in order of importance, we provide the following comments:

#### *Impact on Exporters*

The proposed amendments will provide little if any positive benefits for Australian exporters, and in particular small exporters. The headline may be that the maximum number of grants is being increased from 7 to 8, but the changes will effectively reduce the benefits available for Australian exporters.

By limiting the markets in which applicants can claim expenditure in grant years 6 7 & 8, a significant number of exporters will have the available number of grants reduced to 5. Applicants who are promoting to the established markets of USA, Canada and the European Union (many of whom are generating significant returns for Australia) will be restricted to the maximum of 5 grants. Those applicants who promote to both the established markets and the non-excluded markets may have the possibility of an additional 3 grants, yet many will either be unable to claim as their eligible expenditure in the non-excluded markets only will not exceed the minimum threshold or the complexity in determining to which market the expenditure related will deter them from applying.

Limiting the availability of EMDG to certain markets in certain grant years can only limit the benefits available to exporters and the benefits to the Australian economy. The established markets of USA, Canada and the European Union are the most common markets to which applicants export, and removing these markets from the program in grant years 6-8 serves only to limit the effectiveness of program. These are the main export markets into which the majority of Australian exporters are striving to achieve success. Cutting off access to support will result in exporters reducing their marketing and exports to these countries, and these are the markets where Australia generates the majority of its export revenue. The proposed amendments will reduce the benefits for exporters in the established markets where the return is great, and may only marginally increase the benefits in markets where the return is least.

The argument that the Australia brand is well established in these established markets may hold weight for large exporters, but the small exporter must persist with their marketing activities to maintain their hold in these markets. These are some of the most competitive markets in the world and the proposed amendments will serve only to negatively impact on exporters' success in those markets.

The most significant benefit provided by the EMDG program is enabling Australian exporters to have the security that if they spend eligible marketing expenditure then they will be entitled to a return. This will be eroded by the increased complexity associated with distinguishing eligibility between export markets.

#### *Fit and Proper Person Test*

The implementation of a fit and proper person test is fairly common to all government programs and departments, however the structure of the proposed test for the EMDG program raises many concerns.

Firstly, the test is to be applied and administered by the Government department responsible for the administration of the program (Austrade). This raises issues with conflicts of interest. As an analogy, tax agents have a similar test although it is administered by the Tax Practitioners Board rather than the Australian Taxation Office.

Secondly, the penalties should Austrade determine that a consultant is not fit and proper are draconian. There is no opportunity for counselling, training and supervision – instead it is automatic suspension and required notification to clients. This approach borders on a denial of natural justice.

#### *Consultation with Industry and Stakeholders*

The consultation process with the export consulting community was limited to a number of sessions and/or teleconferences during which the proposed amendments were detailed. In effect, the consultation process was more akin to a directive – here are the changes, make the most of it. The Export Consultants Group (a division of the Export Council of Australia) expressed its objection to the proposed amendments from the outset and that position has not changed.

The EMDG program is one of the longest standing government assistance programs and has been subjected to reviews on a regular basis. All the reviews, the research, the econometric studies, the feedback, all support the effectiveness of the program and the benefits to the Australian economy. The question must then be asked – why limit a program that has a positive net benefit to the Australian economy?

Thank you for the consideration of our comments.

Yours sincerely,  
**Exportise (NSW) Pty Ltd**

Duncan Bathgate  
Director