



Katy Gallagher MLA

CHIEF MINISTER

MINISTER FOR HEALTH

MINISTER FOR REGIONAL DEVELOPMENT

MINISTER FOR HIGHER EDUCATION

MEMBER FOR MOLONGLO

Senator the Hon Ursula Stephens

Chair

Senate Foreign Affairs, Defence and Trade Legislation Committee

fadt.sen@aph.gov.au

Dear Senator Stephens

Thank you for your letter of 17 May 2013 with the invitation to make a submission to the *Export Market Development Grants Amendment Bill 2013*.

By way of brief background, exports of goods and services from the Australian Capital Territory totalled \$1.271 billion in the latest data year, 2011-12. This figure represents growth of 9.4 per cent on the previous year, which compares to the national growth figure of 6.3 per cent. Not surprisingly, exports from the ACT are principally in the form of services exports – services often derived from the skills and expertise that private sector businesses develop through supplying to the Australian Government. Defence and security related services also feature prominently in the export mix and ACT exporters tend to be small to medium sized enterprises.

The ACT Government is an active supporter of small and medium enterprise exporters with a range of programs covering market development grants assistance, formal support networks and mentoring programs for emerging exporters, Government led trade missions, and also enterprise capability and skills development programs. While the Government's overall trade support budget is quite modest compared to the larger states – around \$1.2 million in program and staff support annually – it is highly focused and to date has been highly effective. Importantly, our programs have been shaped to mesh with Austrade delivered services and at an agency to agency level, the ACT Government works very closely and successfully with Austrade to support companies in their export endeavours.

In relation to the key reform to the Export Market Development Grants Program – reducing its application in mature markets and refocussing its application in emerging markets particularly Asia – there will be negative impact on ACT exporters.

The key markets for ACT exporters are the complex government services markets in locations such as Washington. Government procured services markets like Washington require a

ACT LEGISLATIVE ASSEMBLY

London Circuit, Canberra ACT 2601 GPO Box 1020, Canberra ACT 2601

Phone (02) 6205 0840 Fax (02) 6205 3030

Email: gallagher@act.gov.au Facebook: KatyGallagherMLA Twitter: @katyGMLA

100
CANBERRA

significant investment in time, demonstration and relationship building, as well as high levels of technical proficiency in the delivery of services. While that can probably be said for any exporter seeking to establish long term markets, dealing with foreign governments and procurement policy – especially in services relating to secure environments and sovereign security - is fundamentally different from supplying goods and merchandise to normal private buyers. Accordingly, the ACT Government contends that the market failure issues facing ACT exporters in the services to government market is significant.

In making these points, the ACT Government also recognises that the Commonwealth Government policy shift to support greater emphasis on trade with Asia and other emerging markets is fundamentally correct. Indeed, the ACT Government is also framing its response to the Asian Century White Paper and it is likely to include a range of measures to support greater relationship building between our economy and select countries and markets in Asia. However, from an ACT Government industry development perspective, the focus on government procurement markets is just as important as deepening relationships with Asia. In our view, the market failure arguments to support trade development services in markets such as Washington are quite clear.

My Government accepts that the reforms to the Export Market Development Grants Scheme will be enacted. However, what we would like to see is greater flexibility in the Austrade approach to supporting small and medium enterprise exporters in unique markets like Washington. The reforms to Export Market Development Grants are one element of a strategy that will result in reduced export development services to mature markets. Austrade has already advised the ACT Government that it will not be able to support future ACT Government led trade missions to North America in the way those missions have been conducted in the past. What this means is ACT companies will have less support through the reformed Export Market Development Grants program and will be less able to access market support services from Austrade.

For the reasons noted earlier in this submission, the ACT exporter community will be disproportionately impacted by these changes and the broader Austrade reforms compared to other states and territories. Additionally, the ACT is a small jurisdiction with relatively limited program support. While the ACT Government accepts and supports the reforms to the *Export Market Development Grants Act 1997*, we believe that there is a case to be made for concessions to be offered to ACT businesses exporting to the US and like markets impacted by these changes.

Yours sincerely

Katy Gallagher MLA
Chief Minister

17 JUN 2013