

11<sup>th</sup> April 2006

The Secretary,  
Senate Foreign affairs, Defence and Trade Legislation Committee,  
Parliament House,  
Canberra ACT 2600

Dear Ms Dermody

**Re: Inquiry into the Provisions of the Export Market Development Grants  
Legislation Amendment Bill 2006**

Thank you for your letter of 3<sup>rd</sup> April, offering the opportunity to make a submission to the Senate Inquiry.

I was disappointed that most of the recommendations of the Review of EMDG were frustrated by Austrade staff, and watered down to the point where little if any, benefit has been achieved, or real improvement in the grants scheme effected. The senate inquiry has the opportunity to make some real changes that will actually enhance Australian export performance, particularly in encouraging very small companies to start exporting.

That is where Approved Bodies offer a real benefit, Austrade simply does not have the resources to help very small companies, Approved Bodies do – it is what this organisation does.

I believe that Approved Bodies should be treated separately from companies with regard to EMDG, and that is the basis for our submission. I hope that the Senators will support for this approach.

Our submission is below.

Yours sincerely

Graham Short  
Chief Executive Officer

SUBMISSION BY THE WESTERN AUSTRALIAN FISHING INDUSTRY  
COUNCIL, AN APPROVED BODY OF AUSTRADE to the

**Senate Inquiry into the Provisions of the Export Market Development  
Grants Legislation Amendment Bill 2006**

**INTRODUCTION**

A previous review of Austrade services, conducted some years ago concluded that the most effective service that Austrade offered was the EMDG scheme, the only real criticism of it being the high cost of its administration. This review of EMDG may well come to a similar conclusion. The Western Australian Fishing Industry Council has held approved Body status since 1996. Latterly, in line with the concerted effort by Austrade staff to reduce the number of Approved Bodies, Wafic, with nationwide industry support via the peak body, The Australian Seafood Industry Council, now holds the status on behalf of the whole seafood industry in Australia. Thus there is with just one Approved Body for the third largest primary production export sector after wheat and wool. The efficiency and effectiveness of approved bodies lies in their engagement with small and regional enterprises, particularly those that have not exported before. These are precisely the companies that the present government wishes to see expand into export markets but this approved body is constrained by a number of factors, peculiar to approved bodies, that severely limits their effectiveness. The industry council proposes a small number of changes to redress the inefficiency that is built into the current rules.

**SUMMARY**

1. That, for approved bodies, the EMDG ceiling is raised from \$150,000 to \$400,000.
2. That approved bodies be exempt from the 'pool' and always be paid their full entitlement.
3. That the EMDG payment for approved bodies be paid in full with the first tranche EMDG payment (usually November following the year of expense).
4. That approved bodies are exempted from the triennial application cycle and that their approved body status continue indefinitely whilst the approved body is undertaking eligible export market activity.
5. That the amount available for EMDG, fixed at \$150million many years ago, is raised to reflect the cost of engaging in export promotion and development.

## **RATIONALE**

1. Approved Bodies represent the most efficient vehicle for new and small and medium business enterprises to enter export markets. This is because Approved Bodies can organise events and or provide expertise that is frequently beyond the capability of individual exporters, particularly for new exporters and those from remote regional areas.

In turn the Approved Bodies reduce the numbers of often very small claims made to Austrade, and thus the burden of administration and audit.

By increasing the grant allowed to Approved Bodies, Austrade will encourage more very small businesses and regional businesses to enter export marketing in a most cost efficient, cost effective and accountable manner.

2. By their very nature, Approved Bodies must be not-for-profit. They are therefore generally unable to undertake unfunded liabilities. Thus the uncertainty of the second payment makes it not only impractical, but positively illegal for an approved body to operate at its best, ie by being able to provide expert services to exporters then recover the funds later from EMDG.

Equally axiomatic is the fact that an approved organisation cannot recover export marketing expenses from sales income.

As Austrade, quite properly, does not allow rebates to people for expenses recovered from EMDG the avenues of members paying the full cost and receiving a refund from the Grant is also closed. In any event, Incorporated Associations are prohibited from distributing income to members. By paying approved bodies the full grant entitlement for approved eligible expenses Austrade will ensure that Approved Bodies give maximum benefit to exporters, while removing the element of risk that severely restricts their ability to give exporters the maximum assistance possible.

3. The third point is that, if point 2 is conceded then there is no reason to make two payments once the amount granted to the approved body has been determined. Therefore the full amount of the grant should be paid in one instalment by November.
4. Approved Bodies are not bound by turnover limit (\$20million) or other limits that apply to companies. They also have the ability to undertake long term expert planning over periods of 5 – 10 years. Therefore it is both unnecessary and undesirable for Approved Bodies to face the uncertainty of making a completely new application to retain their status

every three years. It creates a deal of unnecessary work for both the applicant and Austrade. Instead of requiring an application for status every three years Austrade should simply review the export performance of each Approved Body by analysis of the outcomes of its market activities and its claims record.

As a safeguard Austrade would have the ability to require that an Approved Body that did not undertake eligible export activity, say over three consecutive years, to show cause why the status should not be removed. Austrade would also, as now, be able to cancel an Approved Body status in the event of a serious breach of the conditions of approval.

5. The ceiling of \$150million total available for EMDG was set nearly ten years ago. It has obviously declined in real terms and needs to be adjusted in line with increased costs of doing business overseas.

These small changes to the current EMDG scheme will improve the efficiency and effectiveness of the EMDG scheme and significantly improve the Federal Government's return on its investment in the programme.

The amounts of money involved are relatively small. If every one of the 22 active Approved Bodies was eligible for the full grant as proposed (\$400,000 pa) the total payment would be just \$8.8 million, less than 6% of the total available for EMDG. This would be offset by a reduction in the number of small grants paid to smaller businesses, and apply the grants to the areas where they are most effective ie to new and small regional businesses.