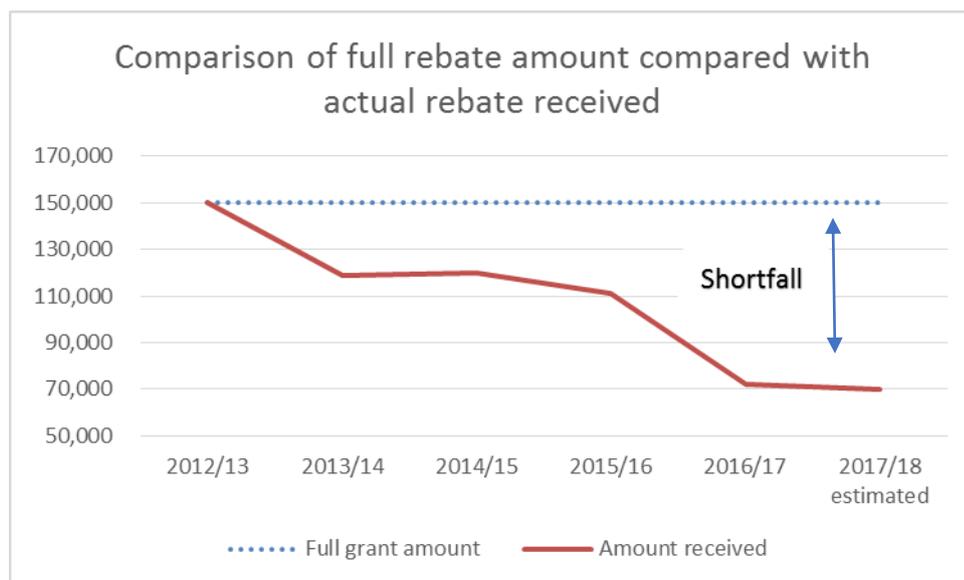


2019 Pre Budget Submission regarding funding of the Export Market Development Grant program

The Export Market Development Grant scheme [“EMDG”] has been running for 43 years and is a proven valuable and successful program that assists Australian companies to grow their businesses by establishing export markets. The Australian market is limited and SMEs need to access export markets to grow their businesses.

Demand for Australian Health and Beauty products has increased dramatically in Asia over the last few years resulting in Asia being a major target export market with more than 60 Australian Health and Beauty companies exhibiting at Cosmoprof Asia in Hong Kong last November, and over 40 contracts received already for Cosmoprof Asia 2019 in mid November. This includes several SME’s applying as first time exhibitors for this show.

The chart below shows how expected government grants to support this objective are being reduced due to the shortfall in funding.



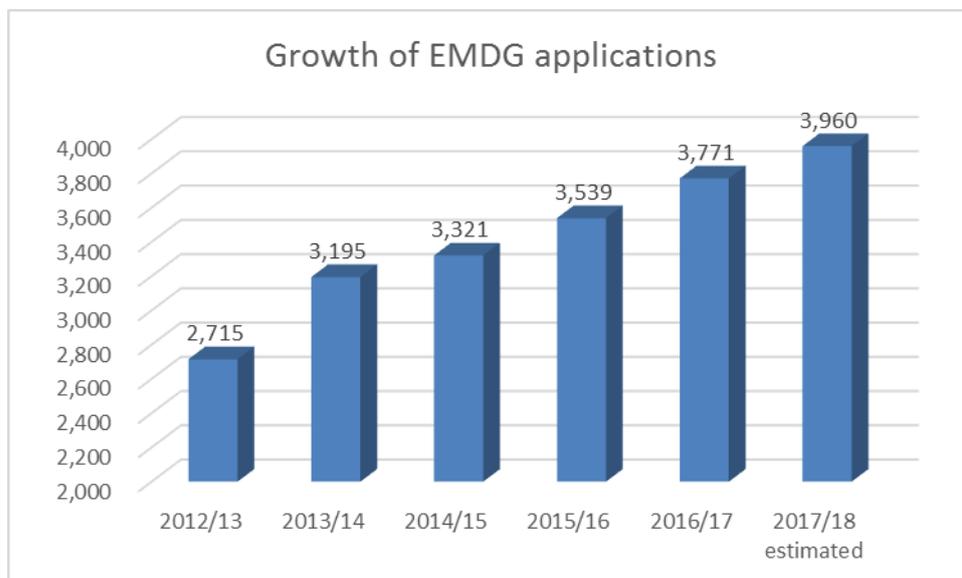
The current funding level for the program is \$137.9M but this is clearly insufficient to meet the rebate promoted in the Government’s EMDG program- in fact potentially less than half that anticipated by those companies who budgeted for their participation in trade shows seeking export markets in the 2017/2018 financial year, in the reasonable expectation that they would receive the 50% rebate identified in the Government’s EMDG program.

This program has been subject to numerous reviews since its implementation and all have found the program to be effective in achieving its goals, consistently reporting good returns for taxpayers dollars spent, benefits in increased employment, receipt of foreign currency, and enhancing Australia’s international reputation

The most recent independent review was commissioned by the government in 2015 and undertaken by Mr Michael Lee, found:

- 1) *“the EMDG scheme continues to be effective in meeting its goals of bringing benefits to Australia by encouraging the creation, development and expansion of overseas markets for Australian goods, services, intellectual property and know-how”.*
- 2) *“considerable scope to lift Australia’s export performance”, and a preference for an increase in applicant numbers (as Australian companies increasingly sought to enter new markets).*
- 3) *“the effectiveness of the EMDG scheme in instilling confidence in small and medium-sized business has been hampered by the reduction in real value of budgeted funding since 2009, when the scheme stood at \$200 million; and that this reduction should be addressed now....”*

The report contained detailed information, including expert reports. Consulting firm KPMG was asked to analyse the net economic benefit of the EMDG scheme. That report found that each dollar of an EMDG scheme grant generated an economic benefit of \$7.03 when industry spill-overs and productivity gains were taken into account. Mr Lee forecast increased demand for EMDG funding and his predictions have proven to be very accurate with numbers trending upward each year from 3,195 at the time of the report to approximately 4,000 in 2018/19.



One of the key recommendations was *“... That the budget allocation (in anticipating a 5 per cent annual increase in the number of grant recipients) be progressively increased by \$12.4 million per year over the next three years (2016–17 to 2018–19) to \$175 million.”*

Minister Birmingham’s recent media release (30 Nov 2018) states: *“we know that Australian businesses that export, hire more staff, pay higher wages and have higher productivity than non-exporting firms”.*

Recommendations

1. That the level of funding be raised to \$175M per annum immediately with further increases to meet expected future demands.
2. Establish a mechanism to review funding relevant to the increase in the number of submissions received annually.



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