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EXPORT MARKET DEVELOPMENT GRANTS AMENDMENT BILL 1985

Date introduced: 21 August 1985
House: House of Representatives
Presented by: Hon. John Dawkins, M.P., Minister for Trade

DIGEST OF BILL

Purpose

To amend the Export Market Developments Grants Scheme as a result of the findings of recent inquiries.

Background

Export Market Development Grants (EMDG) were introduced in 1974 and succeeded the Export Market Development Allowance Scheme which operated from 1961 to 1974. The EMDG scheme aims to encourage overseas market development by Australian exporters in respect of goods, services, tourism and industrial knowhow through the provision of taxable cash grants. As the scheme currently stands, grants are available to cover 70% of eligible expenditure up to a maximum of $200,000 per annum. Eligible expenditure includes expenditure incurred on overseas market research and development, participation in overseas fairs and exhibitions, overseas travel associated with trade promotion and the cost of bringing agents or buyers to Australia. There is no requirement for those receiving grants to earn export income in the first 3 years of receiving grants though the level of grant is dependent on export earnings for future years.

The EMDG scheme has recently been reviewed by the National Export Marketing Strategy Panel (the Ferris Report),[1] and the Department of Trade which conducted two surveys of randomly selected samples of EMDG claimants. The major findings of the Ferris Report were:

- there is a need for an export incentive scheme to offset the cost of protection on exporters and to counter the legacy of the post-war import replacement strategy.
that export incentives were best channelled through an EMDG-type scheme.

that almost 50% of all claimants drop out of the scheme by the end of the third year.

To overcome the latter problem, the Ferris report recommended that the three-year 'no export' period, during which grants are paid regardless of export earnings, be scrapped.[2]

The Department of Trade's surveys also highlighted problems with the existing scheme. Approximately 14% of claimants were non-exporters and 5% of claimants, many of whom were large exporters with multinational connections, received about a third of the payments.[3]

After considering these findings, the Treasurer announced on 14 May 1985, as part of his statement on Government Expenditure, that the EMDG scheme would be revised and, as such, would operate from 20 May 1985. Details of the revised scheme were announced in a press statement by the Minister for Trade dated 14 May 1985. This Bill implements those revisions.

Outline

Amendments to the Export Market Development Grants Act 1974 (the Principal Act) will provide for grants to be directed to small and medium sized exporters and exclusion of those with export earnings of more than $20 million in the grant year. As well, the EMDG scheme will be extended to include the promotion or provision of educational services outside Australia.

As a result of consultation with exporters the 'export-free' period will remain. It will, however, be reduced to two years and grants will only be paid on eligible expenditure in excess of $5000. The tourist industry is to be excluded from the EMDG scheme following the introduction of a separate, tourism promotion scheme. The Bill also extends the EMDG scheme until 1990.

Main Provisions

For a detailed analysis of the clauses of the Bill, refer to the Explanatory Memorandum.

Clauses 4 to 8, 10, 12 to 15, 17, 19 and 21 are deemed to have taken effect from 20 May 1985 (clause 2).
Clause 5 amends the interpretation provision of the Principal Act (section 3) to include eligible internal educational services in the EDMG scheme. It also extends the scheme until 1990 (sub-clause 5(d)) and removes tourist services from the scheme.

Clause 6 clarifies the method for calculating export earnings and introduces earnings from the export of education services in the definition of export earnings.

Expenditure on tourist services is deleted from the definition of eligible expenditure in section 4 of the Principal Act by clause 7 and expenditure on the supply of educational services is added to the definition. The clause also includes insurance premiums paid to protect copyright or trade marks in the definition, as well as limiting claims on first class air travel to 65% of the expenditure.

Clause 9 inserts a new section 10 in the Principal Act to allow the Minister to exclude expenditure in, or earnings from, a proscribed country for the purposes of the Principal Act. The clause will also empower the Minister to exclude Australian companies owned in a proscribed country, by nationals of a proscribed country or by partnerships of nationals of a proscribed country from the scheme. This will enable the Government to give effect to the decision, announced on 19 August 1985, to exclude South African owned firms from the EDMG scheme.

Clause 11 will amend section 13 of the Principal Act to exclude the Export Development Grants Board's discretion to extend the date for lodgement of claims. This will remove the effect of a recent Administrative Appeals Tribunal decision which made it very difficult for the Board to refuse the exercise of this discretion.

Persons earning export earnings in excess of $20 million in the grant year are excluded from the EDMG scheme by clause 12 which amends section 14 of the Principal Act. As well, this clause sets a $5,000 expenditure threshold so that grants will only be payable on eligible expenditure in excess of $5,000.

The entitlement provisions are amended so that grants will only be payable on eligible expenditure in excess of $5,000 in a particular grant year and, after two grants are received, the level of grant will relate to export earnings (clause 14 which amends section 16 of the Principal Act).
Clause 16 increases penalties for breaching the secrecy provisions of the Principal Act from $500 or 6 months' imprisonment to $2,000 and/or 12 months' imprisonment.

The powers of the Export Development Grants Board, which administers the EMDG scheme, are affected by clause 17 (which will insert a new section 38 of the Principal Act to allow the Board to adjust grants in certain circumstances) and clause 22 (which will insert a new section 40C to empower the Board to collect statistical information).

Remarks

The amendments to the EMDG scheme are estimated to save approximately $80m in their first full year of operation.[4]

For further information, if required, contact the Economics and Commerce Group.

20 September 1985

Bills Digest Service

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References

2. ibid., pp.23-37.
3. ibid., p.31.

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