PARLIAMENT OF AUSTRALIA
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EXPORT MARKET DEVELOPMENT GRANTS AMENDMENT BILL 1978

Date Introduced: 15 November 1978
House: House of Representatives
Presented by: Rt. Hon. J.D. Anthony, Minister for Trade and Resources

Short Digest of Bill

Purpose

To expand the degree and scope of the assistance now available to exporters under the Export Market Development Grants (EMDG) Scheme.

Background

The EMDG Scheme introduced under the Export Market Development Grants Act 1974 was based on the same principles as the Export Market Development Allowance (EMDA) Scheme which it replaced from 1 July 1974. The EMDA Scheme had operated since 1961. The EMDG Scheme complements the scheme established under the Export Expansion Grants Act 1978 which provides grants related to the actual increase in exports achieved in each year. The EMDG Scheme provides grants to claimants based on eligible expenditure on export market development in respect of any goods, services, industrial property rights or knowhow which are substantially of Australian origin. Examples of eligible expenditures are advertising, exhibitions, travel and accommodation.

This Bill contains amendments implementing all the relevant recommendations and suggestions of the IAC report 'Export Incentives', 23 December 1977. A number of additional amendments are also included.

The total of all of the changes and additions to the EMDG Scheme are expected to cost an additional $7.25m. for the first grant year 1978-79, to be paid in 1979-80.

Main Provisions

Clause 10 which amends sections 14 to 18 (inclusive) of the Act creates a single rate of grant of 70% of eligible expenditure for all claimants and all classes of expenditure. This replaces the present dual rates of 85% for eligible expenditure on government sponsored promotions, new markets and subscriptions, contributions or levies paid to approved associations, and a standard rate of 60% for all
other eligible expenditure. This clause also limits the grant entitlement in any grant year to a maximum for each claimant of $125,000 for expenditures in relation to Government sponsored promotions, and $100,000 for expenditures otherwise than in relation to Government sponsored promotions.

The changes embodied in clause 10 will be phased-in during the grant year commencing 1 July 1978 by clause 22.

The ceiling on grants payable to a group of wholly-owned subsidiaries and their parent corporation will be removed, thereby allowing each separately incorporated subsidiary to receive a grant up to the absolute grant ceiling. This results from the repeal of section 10 by clause 7.

The maximum limit on a grant payable to a claimant in any grant year of 10% of eligible export earnings will be removed by clause 10 which also substitutes an export earnings test. The new section requires a claimant after receiving grants for three years to receive export earnings in excess of $25,000 in the particular grant year if he is to continue receiving grants. In the case of earnings derived from eligible industrial property rights or know-how, a lesser amount of $10,000 is allowable.

In the case of certain organisations which provide umbrella publicity for certain products but do not export in their own right, such as national commodity marketing boards, a dispensation from the export earnings requirement will be given by the Minister on the advice of the Export Development Grants (EDG) Board (clause 19). This makes the organisation an 'approved body' under sub-section 40B(1), (sub-clause 4(a)), and therefore an exception to the export earnings test of clause 10.

Sub-clause 5(r) will give the EDG Board discretionary power to decide on eligibility of expenditure on permanent overseas sales representation by company directors.

Sub-clause 5(a) extends the definition of eligible expenditure to 'eligible internal services'. They are defined in sub-clause 4(b) as value-added services performed on foreign-owned goods imported and subsequently re-exported. Examples of these kinds of services are repairs on foreign-owned ships or aircraft.

The scheme is also extended to include the travel and tourist industry, firstly, by making expenditures on services to persons resident outside Australia 'eligible.
tourist services' (sub-clause 5(a)) and, secondly, by creating 'approved tourist bodies' (defined in sub-clause 4(a)) under sub-section 40B(2) dispensations by the Minister (clause 19) and therefore creating a clause 10 export earnings test exception. A minimum expenditure requirement of $5,000 not including fares is imposed by clause 7. The minimum expenditure requirement is disregarded for Government sponsored promotions.

Clause 19 also provides an avenue of appeal against EDG Board decisions - first a rehearing by the Board and then to the Administrative Appeals Tribunal.

A number of other amendments are provided in the Bill to remove anomalies and improve the administration of the Scheme.

Paragraph (d) of clause 4 extends the Scheme until 30 June 1982, (the same as the other export incentives).