



# Simplifying Export Market Development Grants (EMDG)

10 September 2020

## Review of Financial Assistance to SME exporters

- The Minister for Trade, Tourism and Investment, Senator the Hon Simon Birmingham, has released the Review of Financial Assistance to SME Exporters, which examined the effectiveness of the Export Market Development Grant (EMDG) scheme.
- The Review found the financial assistance provided by the EMDG scheme is valued by SME exporters. The scheme helps offset the high cost of export promotion, accelerates internationalisation and encourages exporters to diversify.
- The Review made ten recommendations, including that administration of the scheme needed to be simplified. The Government accepted in-principle all ten recommendations.

## Simplifying EMDG

- Implementing the Review recommendations will simplify and streamline the program for eligible, export-ready SMEs with an annual turnover less than \$20m.
- EMDG will be changed from a reimbursement scheme to an eligibility-based grants program to encourage export-ready businesses to increase their exports and diversify their markets.
- Grants will target eligible SMEs at three stages of their export journey:
  - i. Eligible businesses who are **new to export** will be able to access grants of up to \$80,000 over two years.
  - ii. For **eligible exporters who plan to expand** their presence in current markets or enter new markets, grants of up to \$240,000 over three years will be available.
  - iii. **Exporters who continue to expand into new markets** will be able to access further grants of up to \$450,000 over three years.
- Assistance to **industry bodies or alliances** will be expanded to encompass both overseas promotion on behalf of members and supporting members to become export ready.

## Benefits of these reforms

- SMEs will get early financial assurance about the grant they will receive through upfront funding agreements, allowing them to plan their marketing and promotional activities with certainty.
- Financial assistance will be aligned to the different stages of an SME's exporter journey – from new to export to expanding into new markets – reflecting that each SME's export journey is unique, and assistance needs to reflect this.
- Progress through the scheme is based on a business expanding their trade activity and diversifying their markets. **Do more – get more.** This will help to grow and diversify Australian trade, creating jobs.
- Changes to EMDG will cut red tape and make it easier to access.
- Industry bodies will have access grants to support members become export-ready.

## Examples of how the new program will apply

### SCENARIO 1 –NEW TO EXPORT:

A plastic composite manufacturer, NewSpring and Wheel Pty Ltd, has developed a process of manufacture of carbon fibre components for high performance and heavy duty vehicles, including springs and wheels. The products are lighter and stronger than conventional parts – the manufacturing process will scale and costs can be reduced with greater volume. They seek assistance from the EMDG program to register their intellectual property (IP) in one or more foreign markets, promote their goods and exploit their IP in foreign markets. NewSpring and Wheel have made a small number of domestic sales, and provided free samples, but have not yet begun promotion of their products internationally.

Ahead of commencing their export activities, NewSpring and Wheel complete a simple application online for EMDG program support. As a new-to-export SME, NewSpring and Wheel is offered a grant agreement for two years to:

- Attend six virtual trade shows and three physical trade shows
- Register the IP in a number of foreign countries
- Conduct three marketing visits
- Engage a provider to build websites tailored to multiple foreign markets, including foreign language sites

NewSpring and Wheel receive \$20,000 for the first financial year and \$38,000 for the second, up to 50 per cent of their eligible marketing services. Under the old scheme, it could have taken NewSpring and Wheel up to two years to receive a reimbursement for these activities.

### SCENARIO 2 - EXPANDING EXPORTER:

ServiceCo Pty Ltd has developed software that simulates ocean waves, intended to be used in computer games and film production. ServiceCo have sold this software to some foreign gaming developers. ServiceCo now wish to drive further sales to additional markets.

When ServiceCo started exporting, it received an EMDG grant over two financial years. Now the company is ready to expand, and again seek EMDG support. After completing a simple application online ServiceCo, as an expanding exporter, is offered a grant agreement for three years. Under the agreement ServiceCo will:

- Engage an overseas representative in the United States for three years
- Engage a provider to build websites tailored to the Indian market
- Attend 12 virtual trade shows and six physical trade shows
- Conduct three marketing visits in one financial year and five in the next financial year
- Establish and promote the products on a business to business platform
- Engage a marketing consultant for the United States and United Kingdom markets and another consultant for the Indian market

ServiceCo receive a grant of \$65,000 for the first financial year, \$75,000 for the second, and \$80,000 for the third. ServiceCo know the amount of EMDG support ahead of commencing their activities, unlike the old scheme, where the level of support was unknown while their export promotion activities were underway.

### **SCENARIO 3 – EXPANSION INTO NEW EXPORT MARKETS**

Queen Valley Pty Ltd produce high quality fruit juices and dairy products and have now added seasonal products including grapes and cherries. They have had success in the United Kingdom, Singapore, the United States and Japan, with intermittent exports to other countries. Queen Valley now seek to establish regular exports to China, Vietnam and South Korea. They are also keen to trial a business-to-consumer platform.

Queen Valley had already received four export grants under the old EMDG scheme. Now under the new scheme, after applying online, Queen Valley is offered a funding agreement for three years as an exporter expanding into new markets.

Under the agreement Queen Valley will:

- Engage an overseas representative in China, Vietnam and Korea for three years
- Engage a provider to build websites tailored to the three markets
- Provide business-to-business free samples in the three markets over three years
- Attend 12 virtual trade shows and seven physical trade shows
- Conduct ten marketing visits
- Establish and promote some of the products on a business to consumer platform
- Engage a marketing consultant for the Vietnam and China markets and another consultant for the South Korean market

Queen Valley receive a grant of \$120,000 for the first financial year, \$140,000 for the second, and \$150,000 for the third.

### **SCENARIO 4 - INDUSTRY BODY ASSISTANCE**

The MyFriendlyTourism Corporation represents a broad range of tourism service providers in an Australian state. Their members include accommodation service providers, inbound tour operators and a number of iconic attractions.

They seek to consolidate a number of foreign markets, expand to more, and introduce some regional members to export.

After applying, online, for EMDG program support, MyFriendlyTourism is offered a funding agreement for \$100,000 for one year. With that funding, MyFriendlyTourism will:

- Establish three online trade shows and participate in three physical trade shows
- Deliver training to help new-to-export members become export ready