

REGIONAL TOURISM BODIES AND EMDG



Australian Government

Australian Trade and Investment Commission



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Background

When they promote their members' products, organisations representing the interests of members of tourism industries located in a region are entitled to apply for Approved Body status under the *Export Market Development Grants Act 1997* (the EMDG Act). Please refer to the Approved Body assessment guidelines for more information.

Approved Bodies entitled to claim for the promotion of their members' products are subject to the general EMDG eligibility rules that apply to all EMDG grant applicants.

One eligibility rule that commonly applies to Approved Bodies is the one relating to applicants receiving funding from third parties, such as Government (Australian, state/territory and local), intended to cover their international promotional expenses. Under section 46 of the EMDG Act, Austrade must disallow any claimed EMDG expenses that are tied to third-party funding support.

Approved Regional Tourism organisations and Section 46 of the EMDG Act

To determine whether and how to apply section 46 of the EMDG Act, Austrade will examine all funding agreements and related correspondence between the third-party funding organisation and the applicant, budgets and performance-reporting obligations.

There will be two main adjustment types under section 46 for tourism industry approved bodies:

(a) Direct reimbursements

Where the funding agreements and other documentation show that the applicant received funding that was explicitly intended to cover particular international marketing expenses and activities, the EMDG claimed expenses relating to these activities will be directly deducted from the claim.

Example 1

Applicant receives \$500,000 from a state government department for providing an overseas marketing presence (office and salary) in USA. The applicant claims \$600,000 expenses in its EMDG claim for USA representation. Austrade will disallow \$500,000 of this amount under section 46 of the EMDG Act.

(b) Other funding that is tied to international marketing

Some regional tourism organisations are funded for a range of activities that include international marketing of members' products. Funding is typically provided for a mixture of Australian marketing, general administration activities including salaries and international marketing. The key difference between this type of funding agreement and the 'direct reimbursement' category considered at (a) above is that the agreement doesn't explicitly prescribe particular activities to be funded. Nevertheless, the agreements imply that the applicant is responsible for and funded for international marketing.

Applicants receiving funding that is tied to international marketing will be subject to section 46 adjustments calculated to the share of tied funding versus non-tied funding sources.

Example 2

Applicant receives \$200,000 in a grant year from its membership base as subscriptions. It also receives \$400,000 from a state government department for general marketing activities, i.e. Australian and international markets but with no specific allocation between Australian and international market activities.

The applicant claims \$200,000 in this grant year in EMDG expenses including trade fair and overseas representation. Because the applicant's funding agreement shows the funding was provided for international marketing (among other things), Austrade must apply section 46 of the EMDG Act.

Austrade will apply section 46 by apportioning the applicant's income between the general untied income (members' subscriptions) versus the tied state government income.

In this case, the percentage deduction applied to the \$200,000 claimed expenses will be [$\$400,000/\$600,000 = 67\%$].

Example 3

Regional Tourism Organisation Pty Ltd (RTO) promotes an Australian tourist region. RTO represents members in its region and has a number of income sources, as follows:

Income type	Value
Membership – local tourism operators	\$100,000
State government grant	\$1,000,000
Local council grant	\$50,000
Miscellaneous and sales of goods and services	\$50,000
EMDG grant	\$50,000
	\$1,250,000

The RTO EMDG claim is as follows:

EMDG Expense category	Amount
Marketing visits*	\$100,000
OVA*	\$100,000
Overseas Representation#	\$400,000
Promotional Events#	\$100,000
	\$700,000

*includes three visits claimed at (total) \$10,000 air fares and \$10,000 OVA made under a contractual obligation with state funding organisation

#claimed expenses incurred under a contractual obligation with state funding organisation

Treatment of funding from state and local governments

Relevant facts from agreement between the state government funding organisation and RTO:

The agreement between the state government and RTO providing for RTO to receive \$1,000,000 in the grant year implies that the RTO will undertake international promotion. The agreement also provides for the applicant to undertake promotion within the Australian market. There is no basis to determine a domestic versus international split. One clause of the agreement states that the funding is to be applied to the administration, salaries and marketing operations of RTO. In addition to this clause, there are specific provisions as follows:

1. RTO is contracted to participate in three trade fairs in Japan in the grant year – the agreement allocates \$100,000 of the annual funding for this purpose;
2. RTO is contracted to provide a Japan office representative to promote tourism services for tourism operators in its region;
3. Three representational (promotional) visits are required to be made to Japan by the applicant's Managing Director*.

**The actual and claimed fares cost of these visits is (total) \$10,000 air fares and \$10,000 OVA*

Relevant facts from agreement between the local government funding organisation and RTO:

RTO is funded for general and unspecified activities. The agreement makes no reference to international marketing or promotion and there is no implication that the funding is to be applied to EMDG claimable expenses.

How should the expenses directly funded by the state government funding organisation be assessed?

Austrade will directly exclude the following expenses:

- Marketing visits by applicant's Managing Director to Japan \$10,000 plus \$10,000 OVA
- Japan overseas representative \$400,000
- Promotional events (three Japan trade fairs) \$100,000
- Total direct deduction = \$520,000

How should other claimed expenses (\$90,000 marketing visits and \$90,000 OVA) be assessed?

Because the remaining \$90,000 claimed marketing visit expenses and \$90,000 OVA amounts are assessed to be funded by a combination of the state government income and the other untied income, Austrade will apportion the \$180,000 amount on a pro rata basis.

This apportionment will be based on \$520,000 of the annual \$1,000,000 state government contribution having already been fully deducted under 1 above, leaving \$480,000 for consideration as being tied to international marketing.

For the apportionment, the applicant's income assessed to be contractually untied to international marketing and so not subject to section 46 will be:

- Membership – local tourism operators \$100,000
- Local council grant \$50,000
- Sale of Goods and Services \$50,000
- EMDG grant \$50,000
- Total **\$250,000**

Applicant's total income under this test is [$\$250,000 + \$480,000$] = \$730,000

The amount deducted from the claim under section 46 will be ($\$$) $180,000 \times [480,000/\$730,000] = \$118,356$

The RTO will be entitled to a grant based on unreimbursed expenses of \$61,644.