

Export Market Development Grants (EMDG) scheme

Austrade presentation to the ECAI
Continuing Professional Development Days

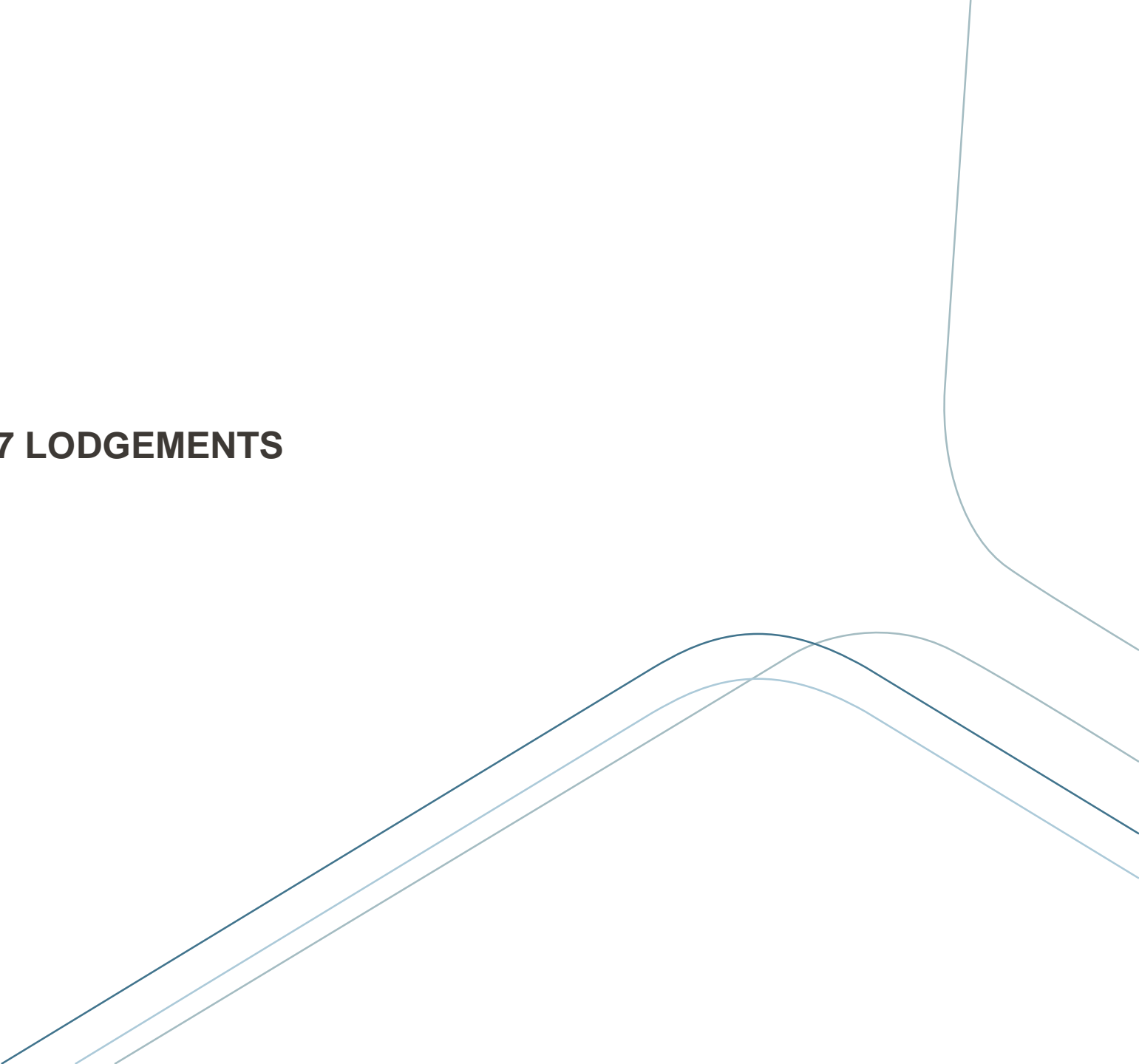
May 2018



Australian Government
Australian Trade and Investment Commission

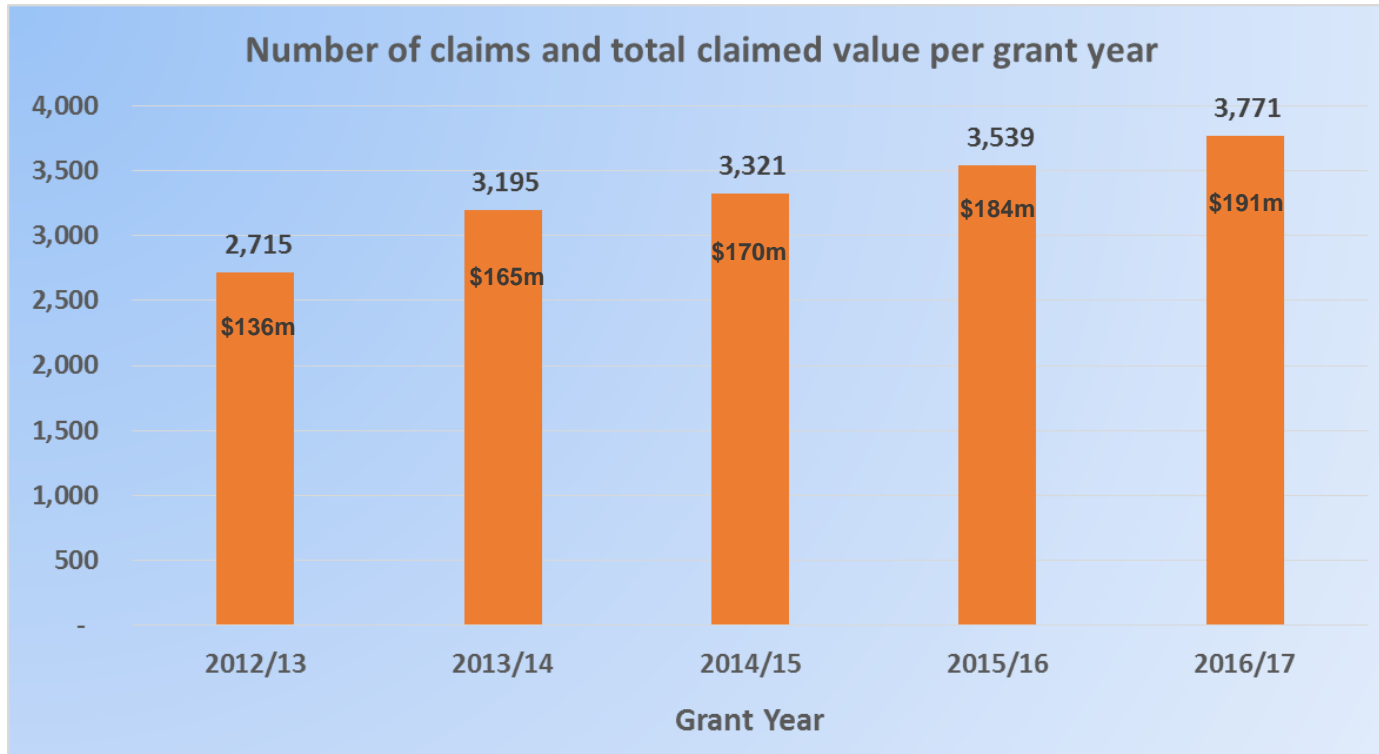


GY 2016-17 LODGEMENTS



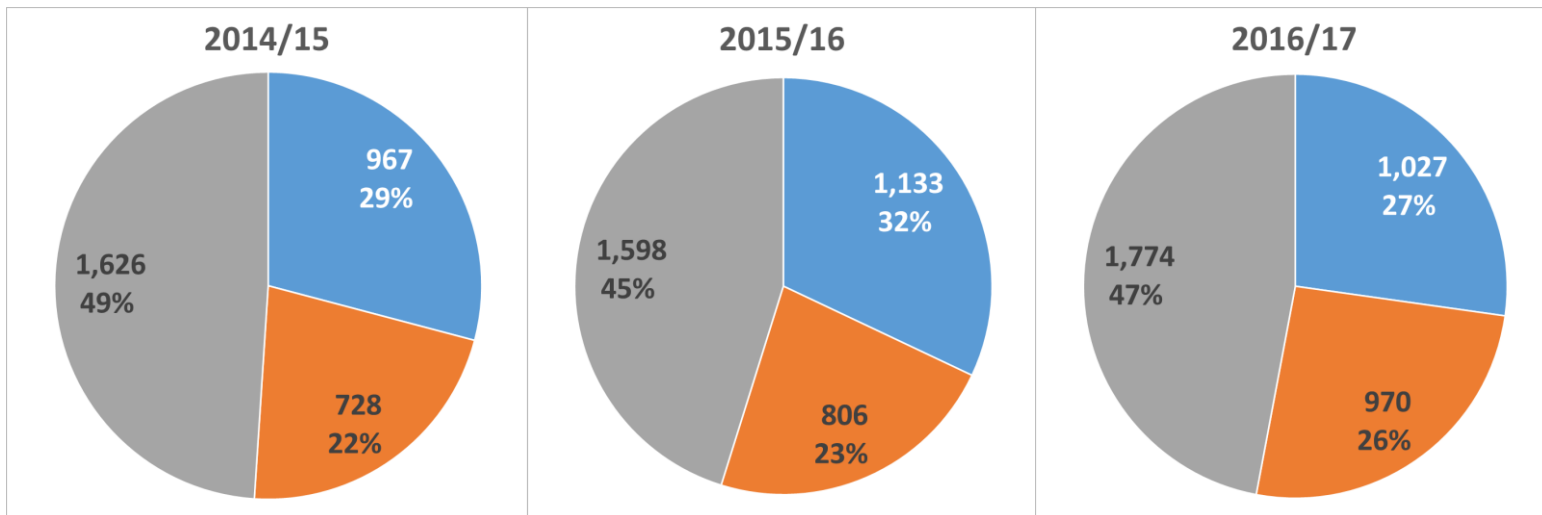
GRANT DEMAND (GY 2017)

- Claim numbers have grown substantially over the past 4 years. As a result the number of claims lodged in GY 2016/17 (3,771) was 39% higher than that in GY 2012/13 (2,715).
- Similarly, total claimed value of grant applications has grown by 40% since 2012/13 (from \$136m to \$191m).



CONSULTANTS' SHARE OF EMDG CLAIMS (BY GRANT YEAR)

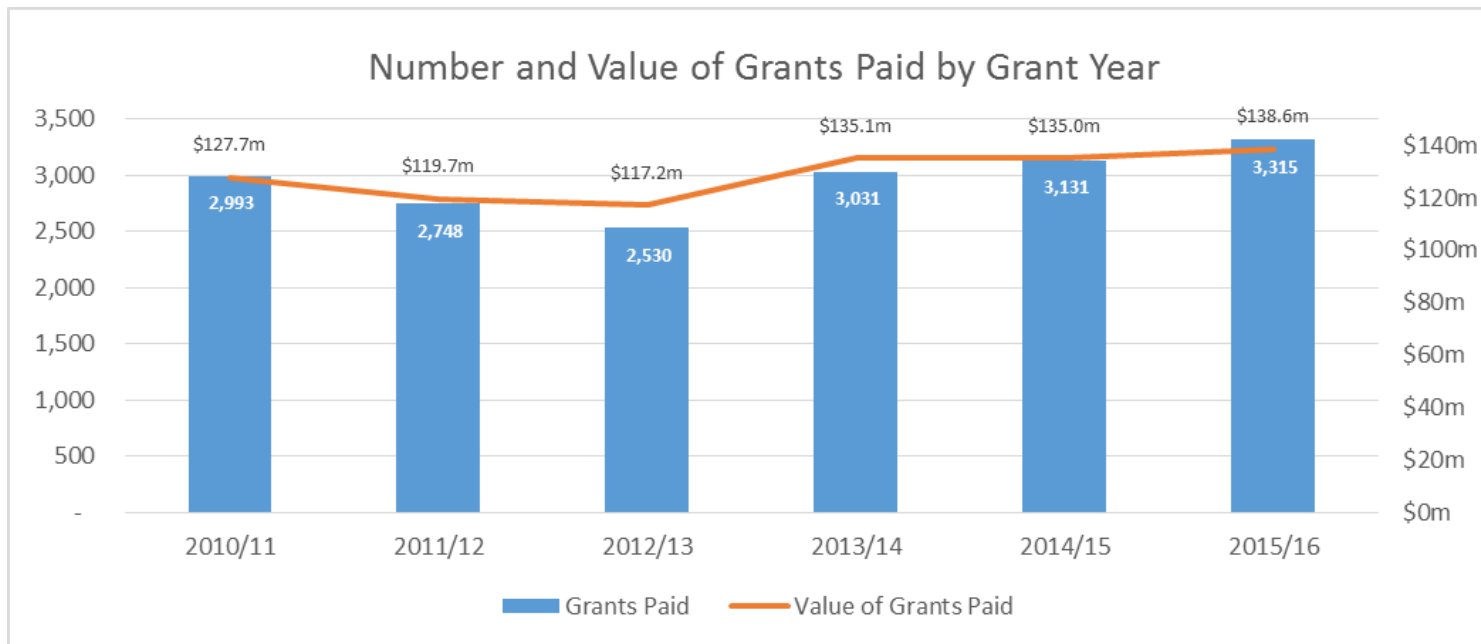
QIP consultants' share of claims lodged increased from 45% in GY 2015/16 to 47% in GY 2016/17. The proportion of claims lodged by all consultants also increased to 73% in GY 2016/17 (from 68% in GY 2016).



- Self-Prepared
- Non-QIP Consultants
- QIP Consultants

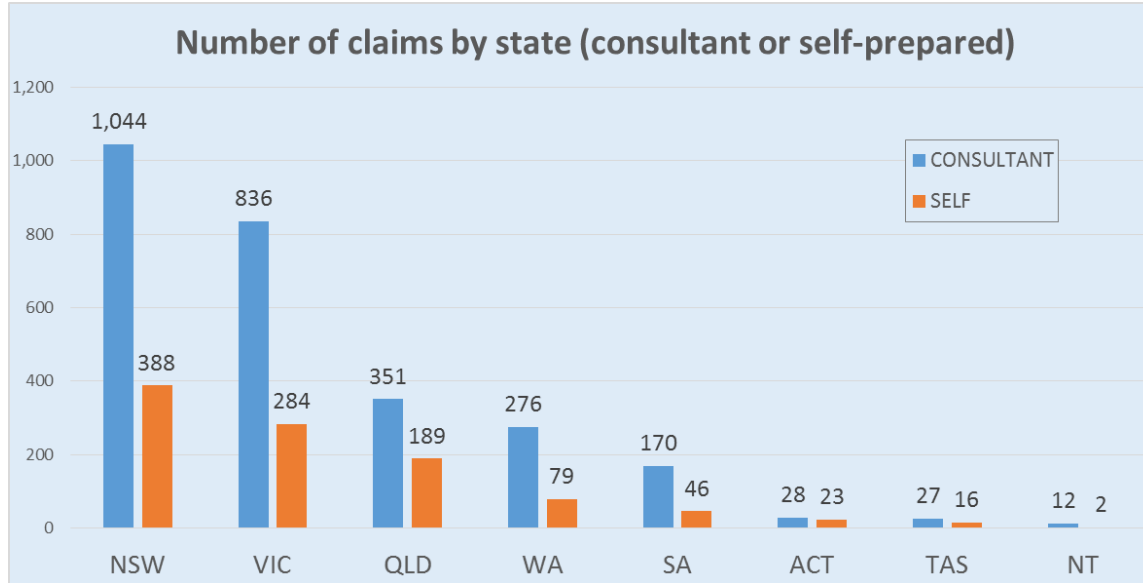
GRANTS PAID (GY 2015/16)

State	Grants Paid	Average Grant	Total Grants Paid
NSW	1,235	\$45,593	\$56.3m
VIC	987	\$41,314	\$40.8m
QLD	456	\$40,713	\$18.6m
WA	307	\$37,641	\$11.6m
SA	230	\$34,652	\$8.0m
ACT	48	\$35,268	\$1.7m
TAS	44	\$32,008	\$1.4m
NT	8	\$45,519	\$0.4m
National	3,315	\$41,822	\$138.6m

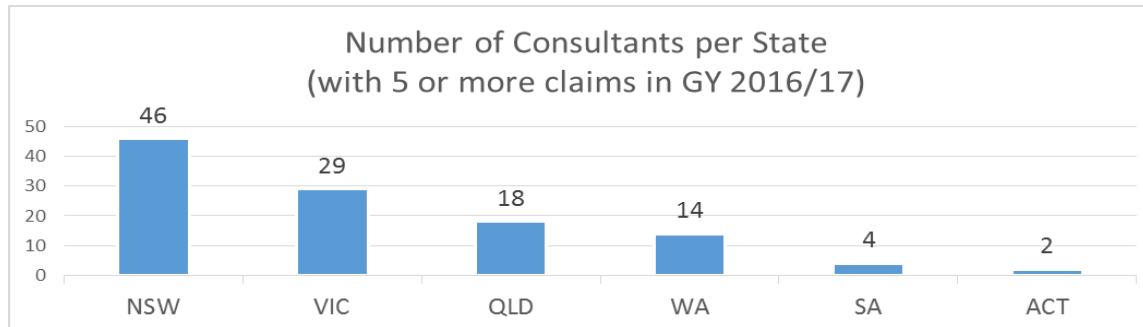
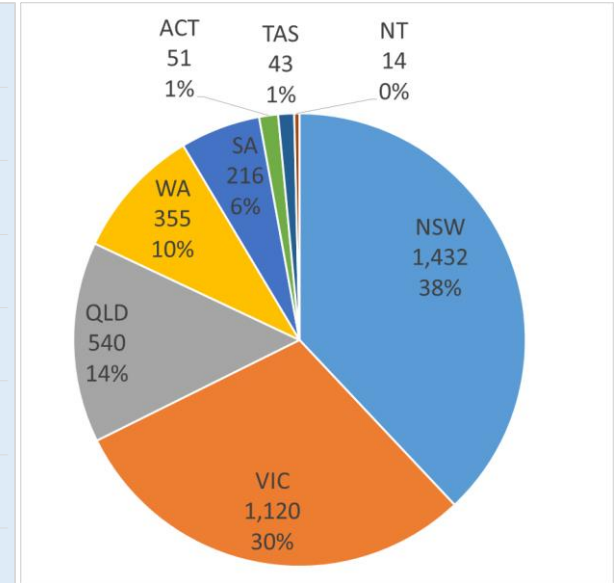


CLAIM NUMBERS BY STATE

NSW and Vic accounted for 68% of all claims this year. The distribution of claims by state was very similar this year to that of last year.

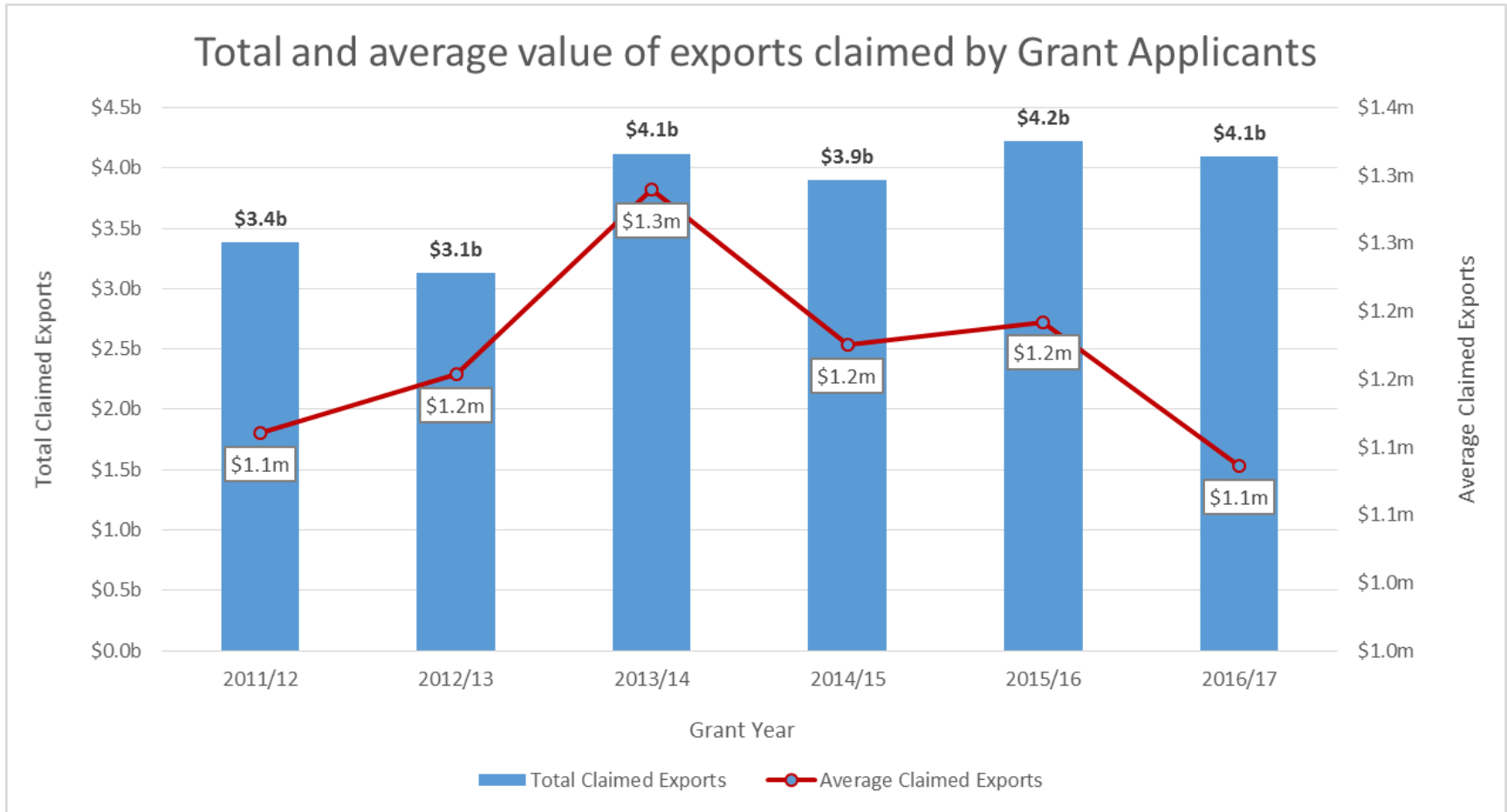


Total Claims per State (GY 2016/17)

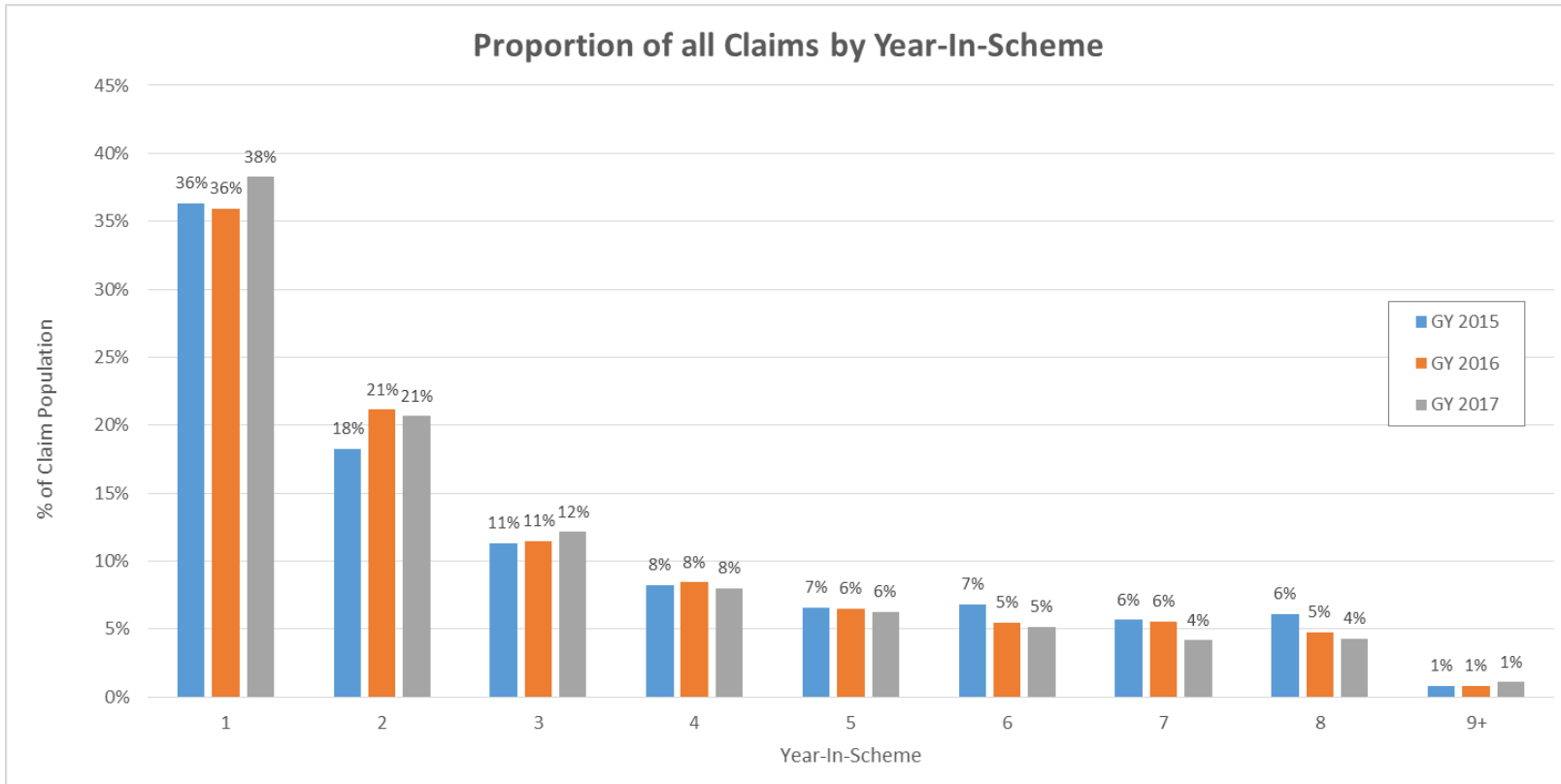


NSW and Vic also had the highest number of consultants lodging claims in GY 2016/17 (67% of consultants with over 5 claims in GY 2016/17 were located in NSW or Vic) – (approx equal to the distribution of claims)

EXPORTS OF GRANT RECIPIENTS

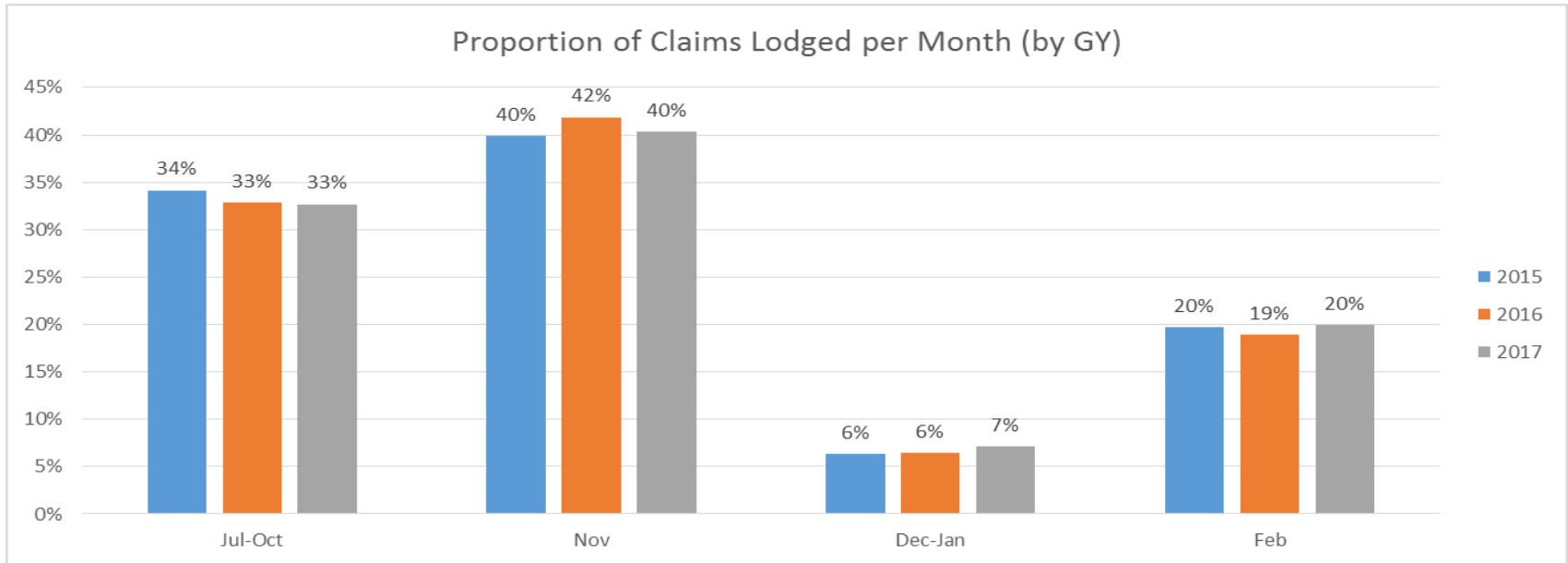


APPLICATION NUMBERS BY “YEAR-IN-SCHEME” (YIS)



Year 1 claims continued to grow as a proportion of the overall claim population in GY 2016/17. They make up 38% of the GY 2016/17 claim population. The number of year 1 claims has increased by 13.5% over last-year’s figure to 1,443 this year. This provides for continued growth in demand for the scheme into the future.

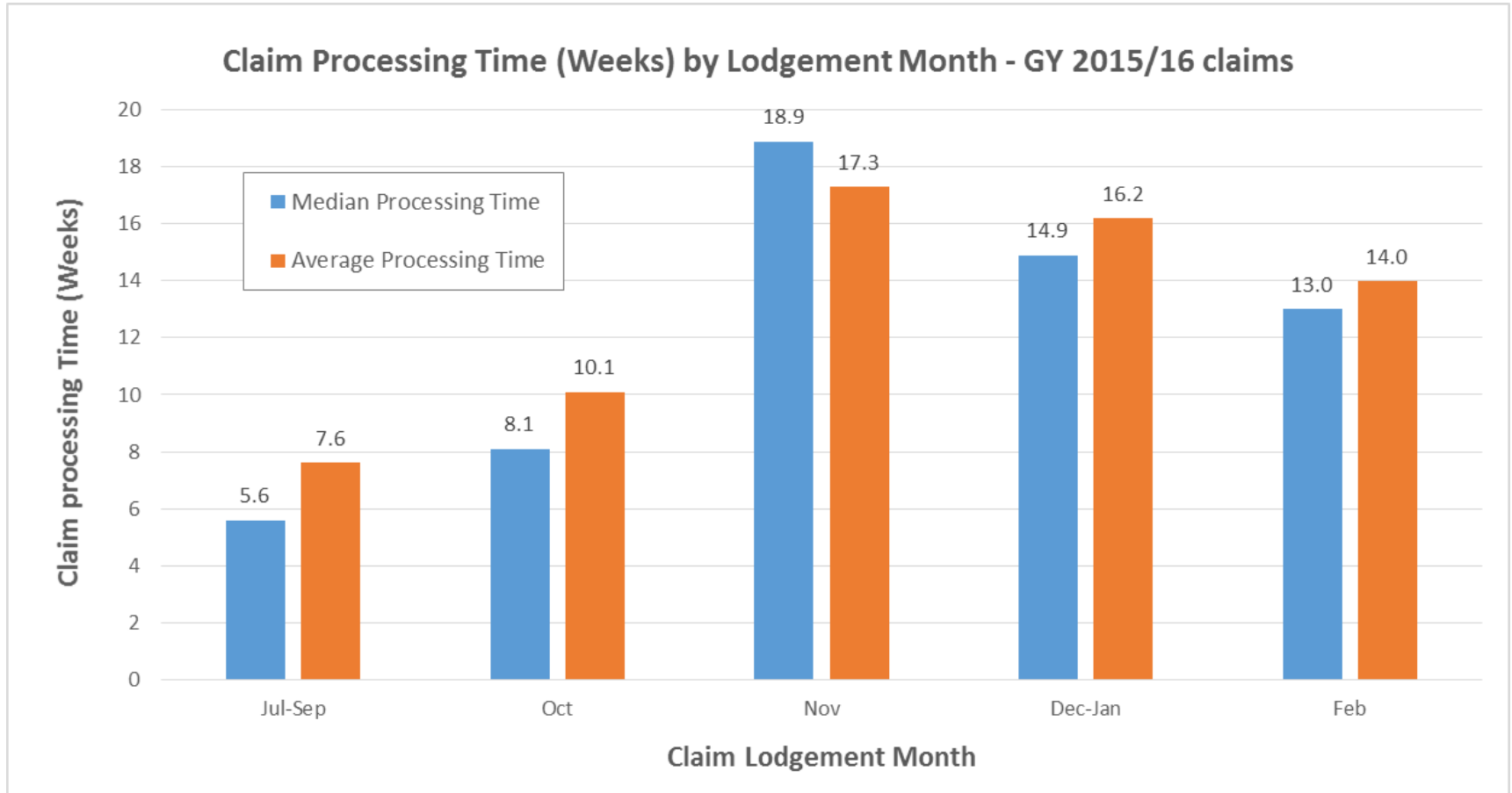
LODGEMENT PATTERN (MONTH OF CLAIM LODGEMENT)



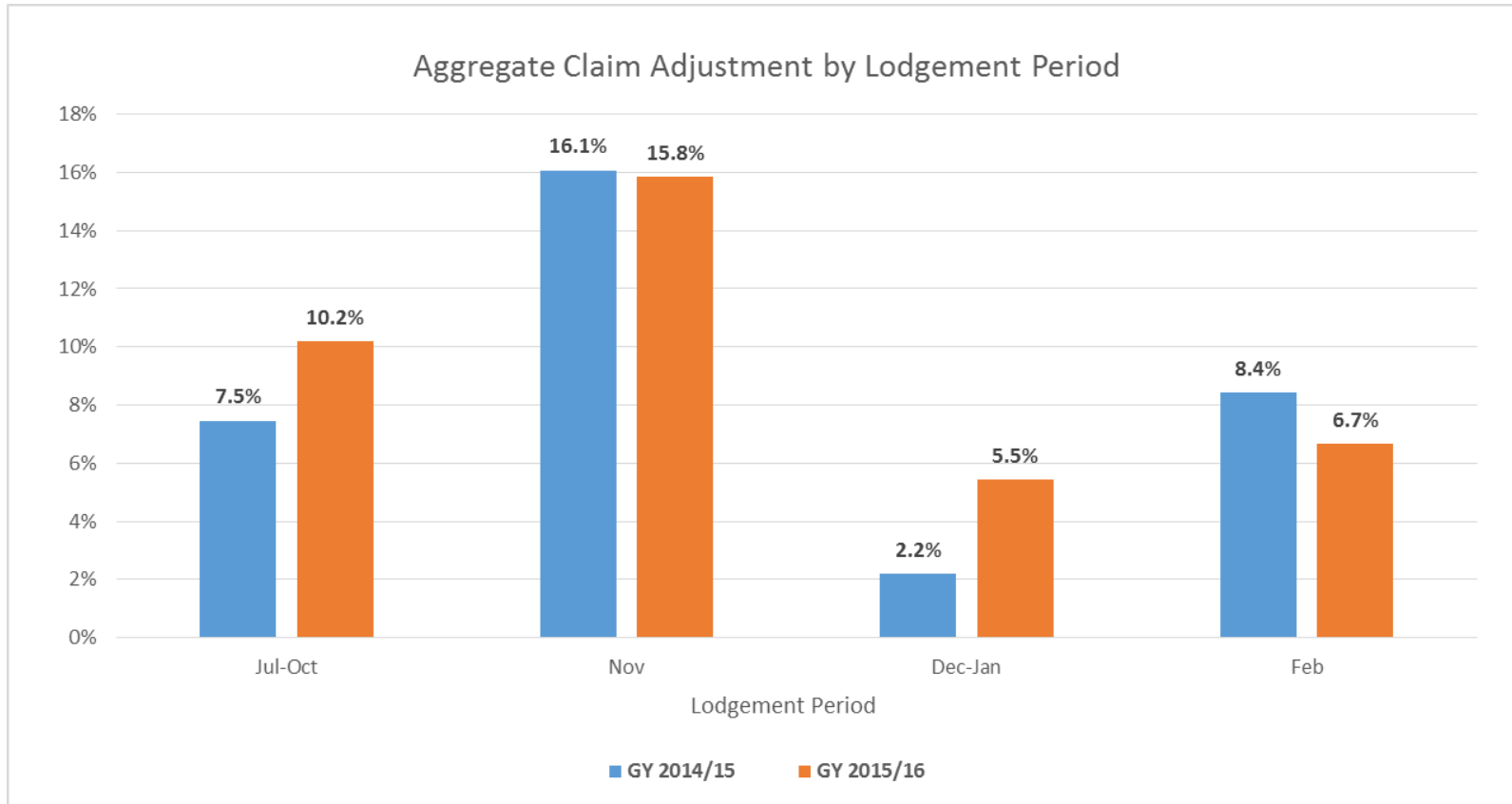
The month of November continues to be the most popular month for claim lodgement, with 40% of claim lodgements occurring in this month last year. The proportion of claims lodged in the July to October period has remained at last year’s level of 33%.

The proportion of claims lodged in the “extended lodgement period” of Dec-Feb this year was 27%. Only 7% of claims were lodged between December and January this year.

CLAIM PROCESSING TIME



CLAIM ADJUSTMENT RATES BY LODGEMENT MONTH

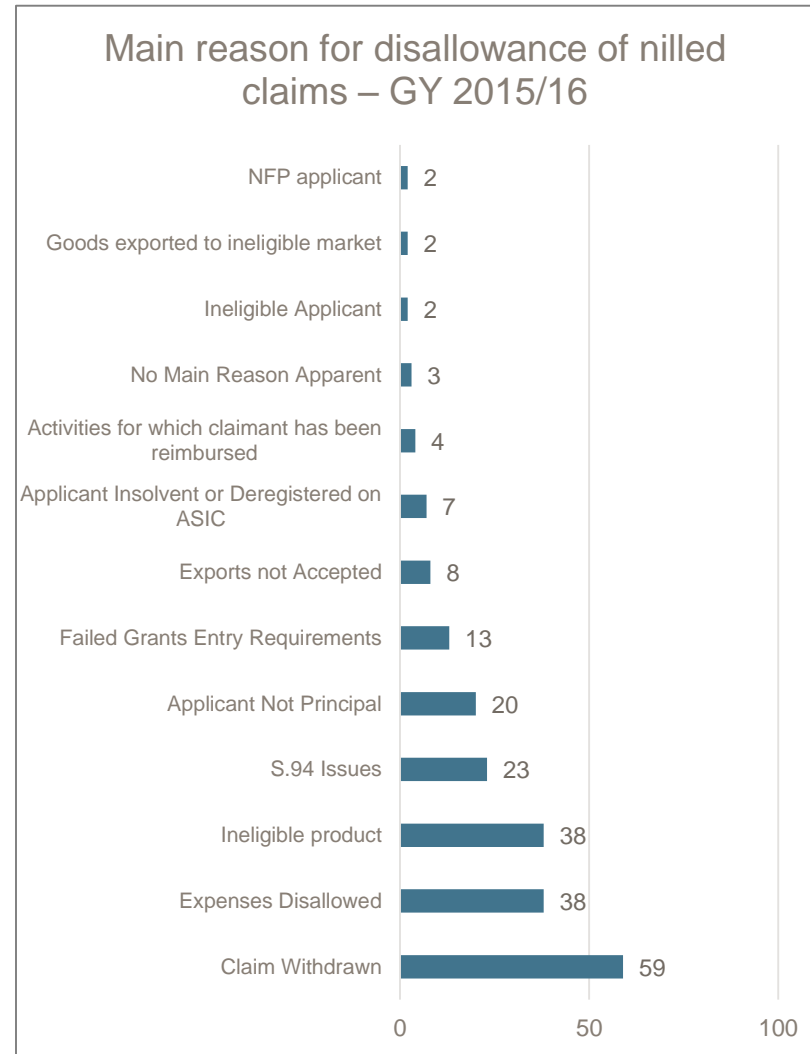
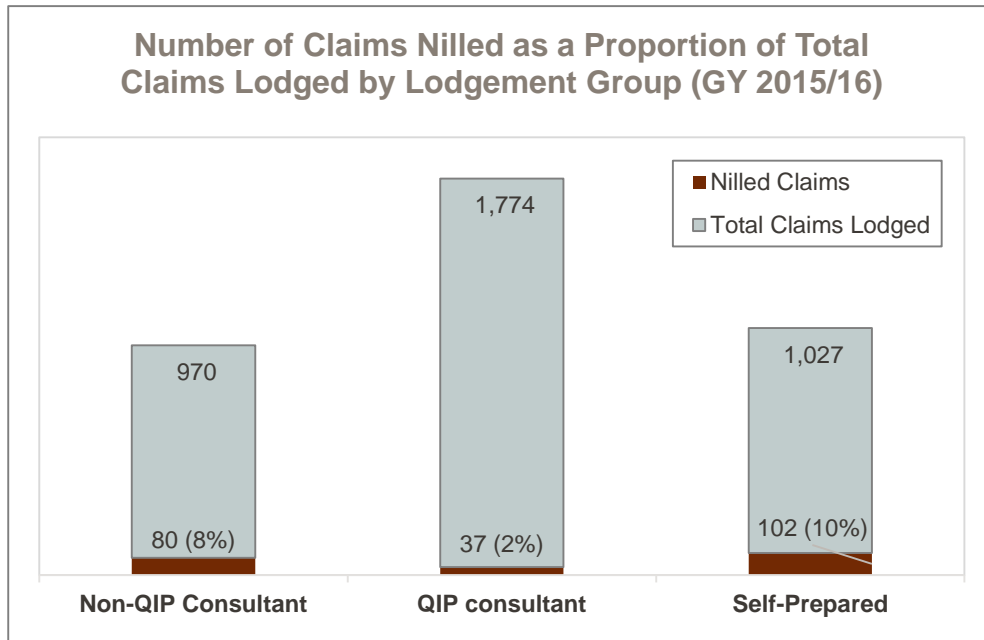


There is a very strong correlation between claim lodgement date and claim adjustment. Claims lodged in November have the highest adjustment rate of any period by a substantial amount.

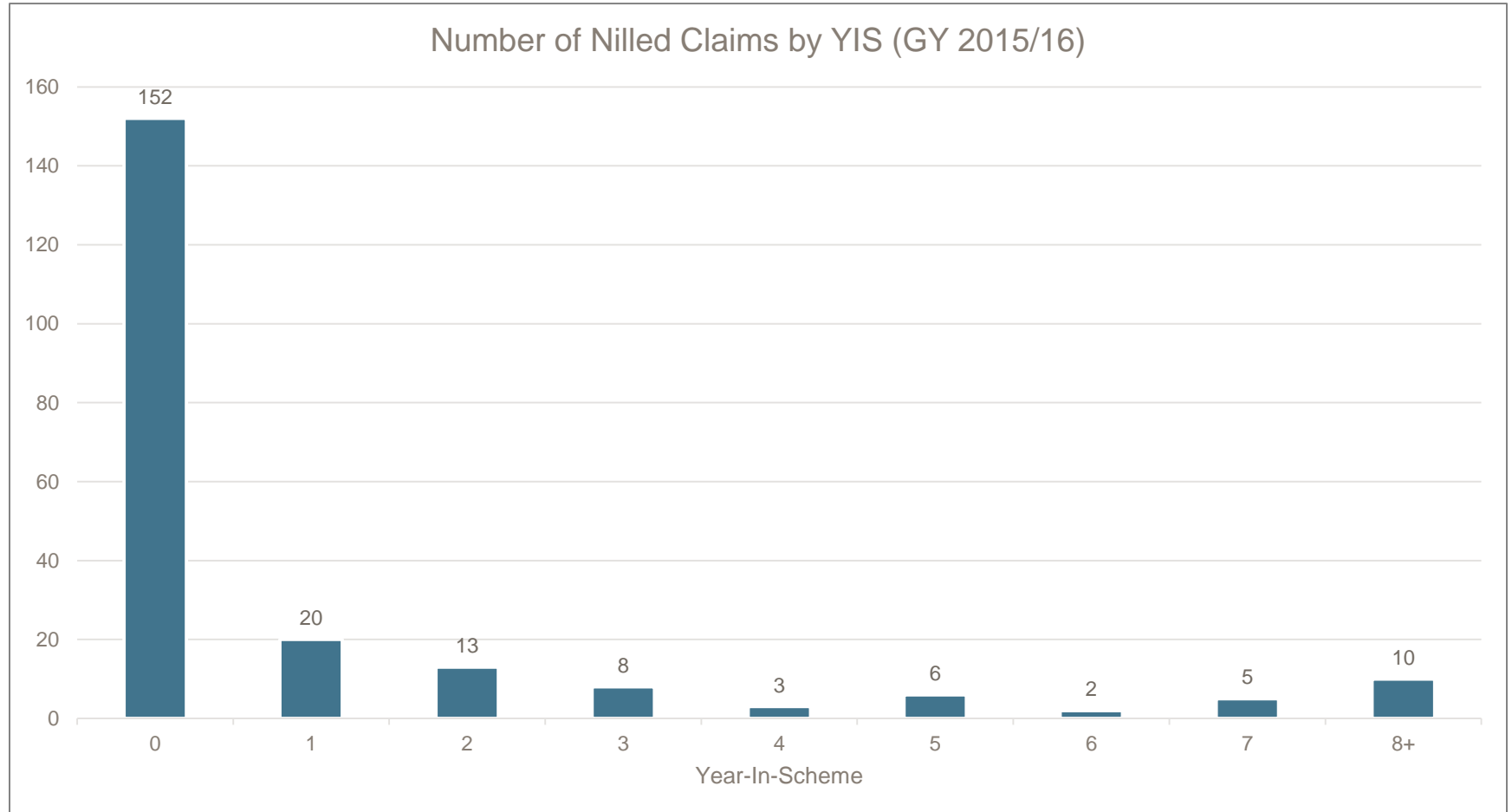
NILLED CLAIMS

219 GY 2015/16 claims were nilled (nil grant paid). 152 (69%) of these were year 1 claims. 10% of self-prepared claims were nilled, compared with 8% of non-QIP consultant claims and 2% of QIP Consultant Claims.

The reasons for the disallowance of these claims are shown on opposite.



NILLED CLAIMS

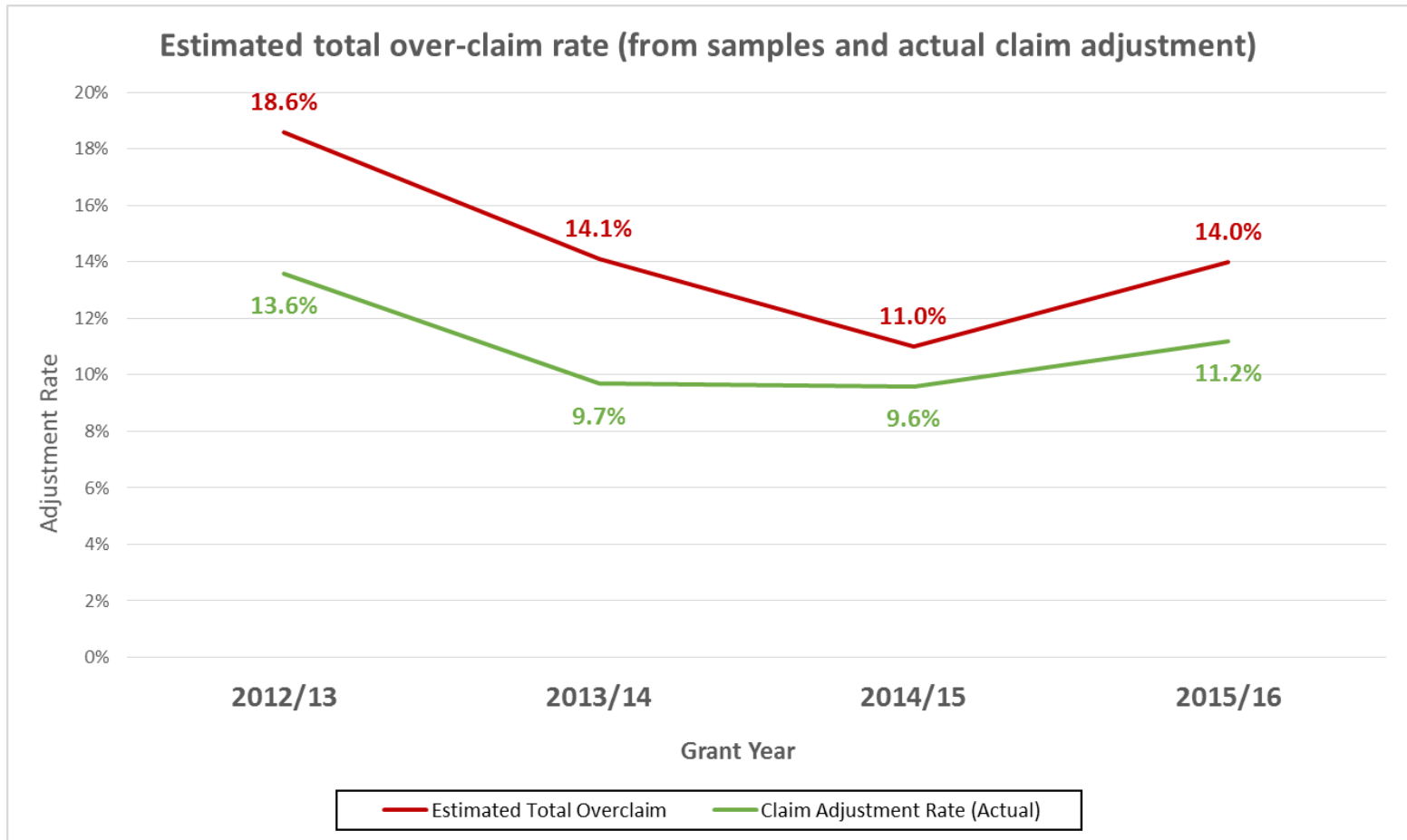


EXPENSE ADJUSTMENTS (FY 2015/16 VS 2016/17)

- Total expense adjustments were 2% lower in FY 2016/17 than in the previous year.
- OS Reps, Marketing Visits and Promotional Lit & Advertising continued to be the expense categories adjusted most by value

Expense Category of Adjustment	2015/16	2016/17	% Difference (2017-2016)	% of All Adjustments (2017)
Overseas Representation	\$18.8m	\$19.3m	2.8%	36.6%
Marketing Visits	\$12.4m	\$12.5m	1.2%	23.7%
Promotional Literature and Advertising	\$8.7m	\$8.8m	0.8%	16.7%
Marketing Consultants	\$4.6m	\$4.7m	1.3%	8.9%
Trade Fairs & Promotional Events	\$4.6m	\$4.1m	-10.9%	7.7%
IP Registration & related insurance	\$2.3m	\$1.8m	-24.3%	3.3%
Free Samples	\$2.4m	\$1.4m	-40.9%	2.6%
Overseas Buyers	\$0.1m	\$0.2m	35.9%	0.4%
Communications	\$0.0m	\$0.1m	304.7%	0.2%
Grand Total	\$54.0m	\$52.9m	-2.0%	100.0%

CLAIM QUALITY AND CLAIM ADJUSTMENT (GY 2013 TO GY 2016)



PAYOUT FACTOR (GY 2015/16)

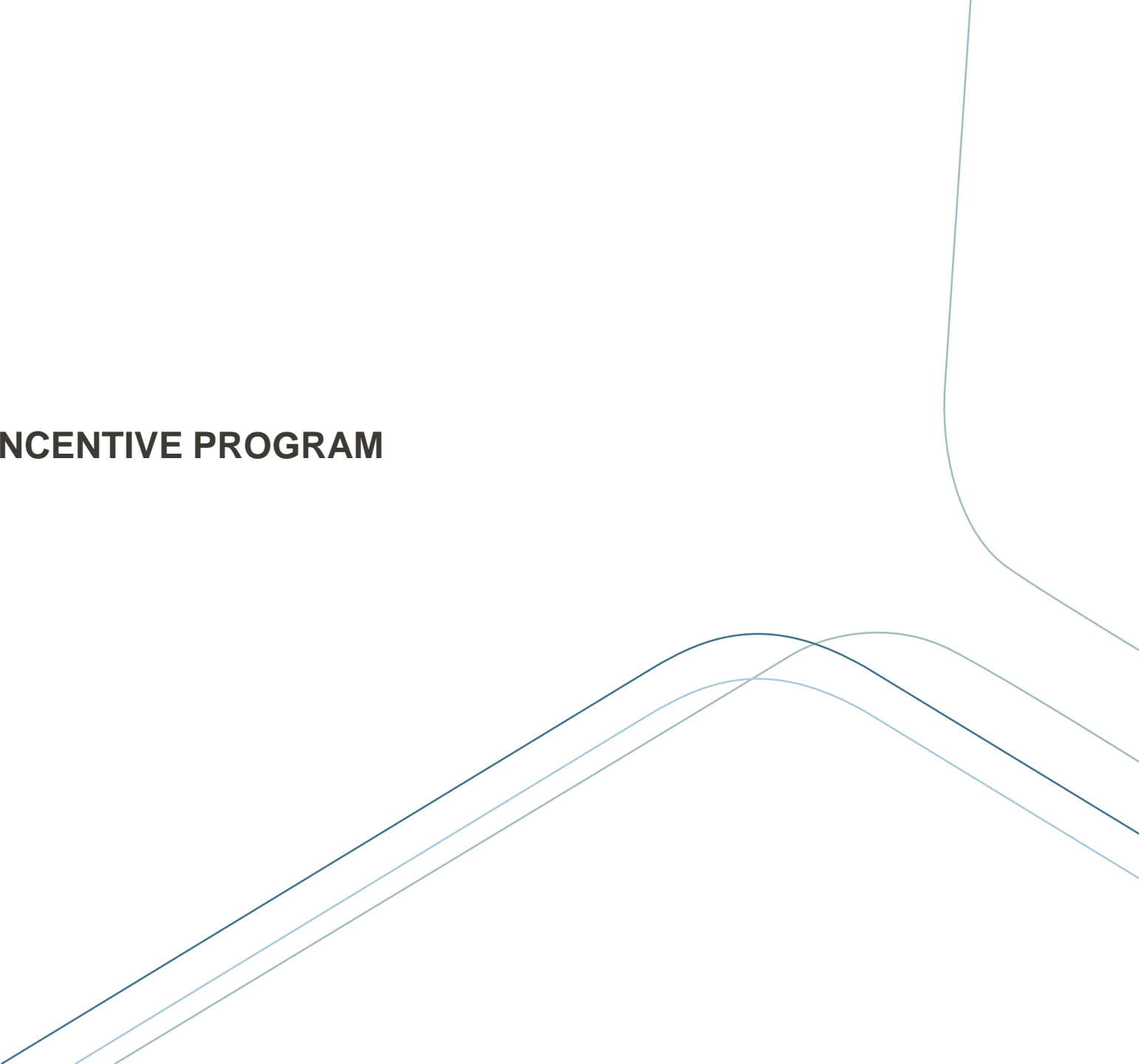
- 2nd Tranche Payout Factor in GY 2016 (64.5%) was lower than that in GY 2015 (72.7%)
- The main reason for this was that EMDG grant demand was higher in GY 2016 than in GY 2015.
- (Note: Total grant claim value in GY 2016 was \$13.5m than in GY 2015, while funding remained the same).
- The claim adjustment rate in FY 2016/17 was higher than that in the previous year (12.5% c.f. 11.1%)

Considerations for Payout Factor for GY 2017

- Claim demand has increased by 4.0% in value this year
- IPCA remains at \$40K for GY 2017 claims
- A significant number (350) of GY 2016 claims were un-processed @ 1 July 2017 and must therefore be paid from the FY 2017/18 appropriation.
- It is therefore likely that the Payout factor for GY 2017 claims will be lower than that for GY 2016 claims (i.e. lower than 65%) – But it is too early to make a confident prediction

Parameter	GY 2015 (FY 2016/17) - @ 30 June	GY 2016 (FY 2016/17) @ 30 June
Payout Factor	72.7%	64.5%
IPCA	\$40K	\$40K
Proportion of claimants paid full grant in first tranche	58%	58%
Claim adjustment rate (FY)	10.7%	12.5%
Total assessed Grant (GY) (before application of PoF)	\$142.2m (GY 2015) (\$4.9m paid out for carried-over grants)	\$143.1m (GY 2016) (\$8.7m paid out for carried-over grants)

QUALITY INCENTIVE PROGRAM



OVERVIEW

There are no changes to the QIP for 2018-19

Allows approved consultants:

- › To lodge applications on behalf of clients up to the end of February
- › To be listed on the Austrade website

Key conditions

- › Lodge 5 or more applications for the previous grant year
- › Have a claim adjustment rate of less than 5% (active assessment)

Time line of activities

- › July – invitations to participate or renew approvals sent to consultants with 5 or more applications.
- › August/September - Approved consultants that have an adjustment rate of 5% or more sent the claim adjustment rate report for review and feedback. Decisions to approve and cancel made and communicated.
- › October/November – Monitor claim adjustment rate to identify additional approvals
- › February to April – Monitor claim adjustment rate to identify approved consultants with a more than 5% adjustment rate.

QIP CLAIM ADJUSTMENT RATE

Key points

- › Adjustments that are unreasonable to include will be taken out. The starting point is that there is an adjustment so it is up to the consultant to demonstrate to Austrade.
- › The reference point for determining this is at the time the application is lodged
 - What information did the consultant rely on to form a view on eligibility
 - Should the consultant have obtained more information given the applicant's business arrangements
 - Were the eligibility issues raised with Austrade at the time of application using the position disclosure form or other method
 - “withdrawing services” after lodgement does not exclude an amount from the claim adjustment rate

FEDERAL BUDGET 2018-19



OVERVIEW

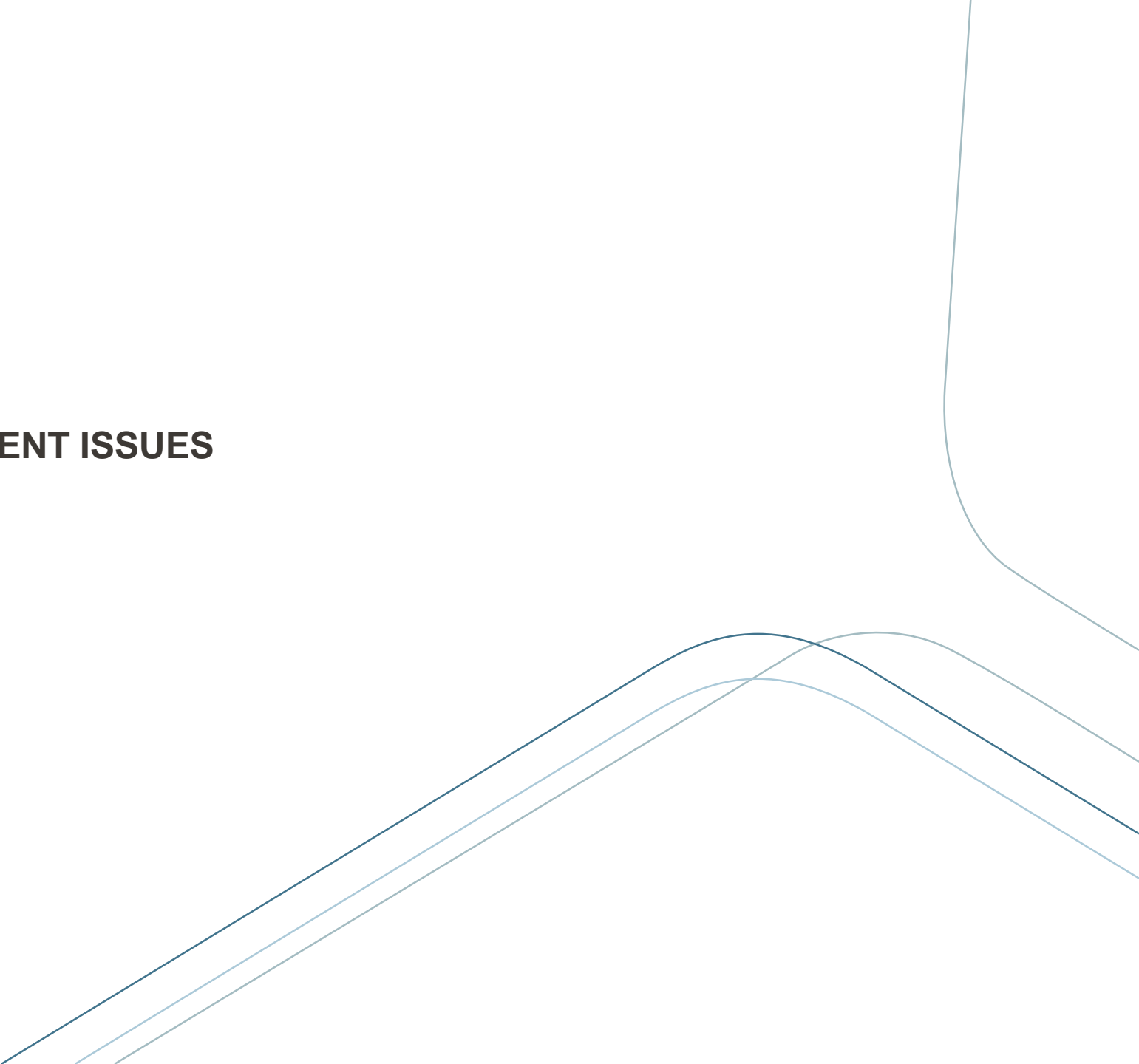
EMDG

- › No change in funding

New Initiatives to support exporters

- › SME Export Hubs - \$20m
- › Trade Modernisation Agenda – \$10.5m
- › Australian Agriculture and Export Growth Plan – \$51.3m/4 years
- › National Health and Medical Industry Growth Plan – \$1.3bn/10 years
- › Australian Technology and Science Growth Plan – \$1.9bn/12years

ASSESSMENT ISSUES



Month	received	Remaining	% remaining
July	207	0	0%
August	307	0	0%
September	317	2	1%
October	401	9	2%
November	1520	371	24%
December	138	53	38%
January	129	58	45%
February	752	378	50%
Total	3771	871	23%
at 9 may 2018			

Priority is given to applications that are lodged first and low risk applications

Related party applications

- › Ensure that schedule 10 is completed and included for both applicants

Consultant leave

- › We can make minor adjustments to the order of processing after February, subject to the applications on hand to be processed and applicant availability.

Completion of schedule

- › Additional information on apportionment methods and other details in the notes may reduce time it takes to assess an application
- › Traveller position and trip purpose will also assist

Question 22. director/partner involvement in other EMDG applicants

- › “don’t know” is quite common.

S24(b) submissions

- › Ensure key information such as where the manufacturing occurs is included

Due care and diligence

- › Ensure prior year adjustments are considered. We have seen instances where 100% eligibility is claimed when the previous application was apportioned.