

1995

THE PARLIAMENT OF THE COMMONWEALTH
OF AUSTRALIA

HOUSE OF REPRESENTATIVES

EXPORT MARKET DEVELOPMENT GRANTS
AMENDMENT BILL 1995

SUPPLEMENTARY EXPLANATORY MEMORANDUM

Amendments and New Clauses to be Moved on Behalf of
the Government

(Circulated by authority of the Minister for Trade,
Senator The Hon Bob McMullan)



EXPORT MARKET DEVELOPMENT GRANTS AMENDMENT BILL 1995

OUTLINE OF PURPOSE OF AMENDMENTS

1. The purpose is to withdraw the following Senate amendments to this Bill (originally the Export Market Development Grants Amendment Bill (No. 2) 1994):

- withdraw the provision allowing the tourism industry to claim the cost of free samples given away to overseas visitors.
- withdraw the provision allowing the tourism industry access to the joint venture and consortium provisions of the EMDG Act.
- withdraw the provision affording single service tourism providers grants at the rate of 50 cents in the dollar, and replace with a grant rate for single service tourism providers of 25 cents in the dollar.

EXPLANATION OF REASONS FOR MOVING AMENDMENTS

2. The Government opposes the provision which allows the tourism industry to claim the cost of free samples of tourism services given away to overseas visitors. No industry sector is allowed to claim free samples given away in Australia. To allow this amendment would be to give preferential treatment to the tourism industry over other industry sectors. The estimated additional cost of this provision is between \$5 million and \$10 million per annum with significant administrative cost, which would be in addition to the activities of the Australian Tourism Commission which already funds these types of promotional visits where they are felt to be in the national tourism industry's interest. Further, the Government has serious concerns about the accountability of free samples for this industry sector.
3. The Government opposes the provision which allows the tourism industry to access the joint venture and consortium provisions of the EMDG Scheme. The EMDG Scheme should promote things which otherwise would not occur. Fundamentally the tourism industry operates on a joint promotional basis which the existing provisions of the EMDG Scheme encourage. The Government supports a 25 cents in the dollar grant rate for single service providers, an amendment to this Bill proposed by the Government. Aggregation of tourism "amenities" would provide a means by which single service tourism providers could circumvent the 25% grant rate and qualify for the 50% grant rate afforded multiple "amenity" providers. Also, there is no limit to the number of joint venture and consortium to which an operator may belong. The proposed provision would allow inbound tour operators, who are largely on a joint basis with single service tourism providers, to receive multiple grants for different components of the same promotion. A further issue is, that owing to the 'project' basis of approved joint venture and consortium, tourism operators who would otherwise be excluded from the EMDG Scheme because of export earnings in excess of \$25 million per annum, would gain access to the Scheme. The cost of this provision is considerable being estimated at initially \$2 million to \$3 million per annum with significant administrative cost.
4. The Government opposes the extension of the 50 cents in the dollar grant rate to single service tourism providers. An evaluation of the EMDG Scheme which included substantial high level independent analysis, found that a portion of the tourism industry's promotion did not create additional tourism, but rather directed tourists, who had already decided on Australia as a destination, to particular tourist facilities. Further, the cost of extending the 50% grant rate to include single service tourism providers is estimated to be an additional \$30.5 million over the next four years. The Government recognises, however, that there is an element of additional tourism promoted by single service providers in addition to that promoted by package inbound operators and the Australian Tourism Commission, and proposes a grant rate of 25 cents in the dollar to these operators.

FINANCIAL IMPACT

5. The estimated cost saving resulting from not allowing the tourism industry to claim free samples is in the range \$5 million to \$10 million per annum, including significant administrative cost saving.
6. The estimated cost saving achieved by not allowing the tourism industry to form joint venture and consortium, including substantial administrative cost saving, is initially \$2 million to \$3 million per annum, with potential for considerable escalation.
7. The estimated cost saving resulting from a reduction from 50% to 25% in the grant rate applicable to single service tourism providers is \$5 million in 1995/96, \$7.5 million in 1996/97, \$9 million in 1997/98 and \$9 million in 1998/99.

ABBREVIATIONS

8. EMDG Act: Export Market Development Grants Act 1974.
The Bill: Export Market Development Grants Amendment Bill 1995
Amenities: Tourism services eligible for EMDG consideration as prescribed by Regulations under the EMDG Act.

SCHEDULE

Clause 1.

Omit subsection 11D(4)

9. Item 10 of the Bill provides for the tourism industry to claim the cost of free samples of tourism services given away free to overseas visitors. This amendment withdraws that provision.

Clause 2.

Omit subsection 11ZC(11)

10. Item 16 of the Bill provides the tourism industry with access to the approved joint venture and consortium provisions of the EMDG Act. This amendment withdraws that provision.

Clause 3.

Revised subsections 16(3) and (4)

11. Clause 3 inserts a new section in the Bill (section 21A) which omits subsections 16(3) and 16(4) of the EMDG Act, and substitutes revised subsections 16(3) and (4) with the effect of providing grants to single service tourism providers at the rate of 25 cents in the dollar in place of the grant rate of 50 cents in the dollar as provided for by the Bill. Providers of eligible tourism services (packages of three or more "amenities") will continue to be eligible to receive grants at the rate of 50 cents in the dollar.

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