



Association of Australian Convention Bureaux

10 March 2015

Mr Michael Lee
Reviewer
2015 Review of the EMDG scheme
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Dear Mr Lee

I am writing to you on behalf of our members in accordance with the '2015 Review of the Export Market Development Grants Scheme'.

Australian convention bureaux are concerned about changes made by Austrade in processing Export Market Development Grants (EMDG), particularly regarding the application of Section 46 to Approved Bodies. These changes in interpretation of the law have been implemented in an ad hoc fashion, without consultation, and we believe they are contrary to the Australian Government's original intentions. They are causing significant confusion and uncertainty for our members.

The changes we are proposing will have no negative budget impact as EMDG funding is capped, but will cut administration costs by reducing time and resources required for current additional assessment processes. The changes will also restore the Government's original policy intention and reduce uncertainty and complexity for bureaux in their implementation of essential international marketing activities.

Background – Regional Approved Bodies

In 2008, to allow regional organisations to be granted Approved Body status under the EMDG Act, the Australian Government introduced new Regulations relating to Approved Bodies. One of the amendments structured to ensure that regional bodies were not precluded from Approved Body eligibility was to 'delete any reference to source of funds'. A number of our members subsequently applied for and were granted Approved Body status by Austrade.

The first year where our members lodged EMDG applications was for the 2008/09 financial year. These applications were approved with few deductions made by Austrade. In the second year of lodgement 2009/10 once again members lodged their applications with few minor deductions, except for one member which had its application substantially reduced when the processing of this application was finally completed in August 2012.

Austrade's Policy Change

In 2010/11, Austrade changed its approach to the assessment of our members' applications, stating that applicants "will have their grants reduced by the provisions of the EMDG Act, Section 46, which is designed to prevent 'double-dipping', that is where an applicant has promotional activities funded by another body".

This advice clearly marked a significant policy shift (despite Austrade's claim to the contrary), and went against the precedent set by Austrade's approval of previous applications.

Since 2008, Austrade has been well aware that regional Approved Bodies received significant funding from government bodies. Following consultation with industry (including the AACB providing information about government and other funding sources for convention bureaux), eligibility criteria were changed to allow regional bodies to be granted this status before any applications were lodged. And each application for Approved Body status provided details of all sources of funding, which was reviewed by Austrade prior to granting Approved Body status.

Austrade's policy change has also been implemented inconsistently, with only some members being affected by Austrade's new approach to Section 46 in different years.

"Double Dipping"

We note that Austrade refers to "double-dipping" when mentioning Section 46. It is our understanding that Section 46 was to cover situations where an applicant receives funding to cover an activity where the applicant and the partner contributing funding could both be eligible to claim the expense under EMDG.

In the situation of our bureau members, they may have an international publication that markets their region and their members contribute to the publication by advertising their services in that publication. Except for Section 46 the publication would be an eligible expense for both the convention bureau and their members as it meets the eligibility of marketing the region for the bureau and eligibility of marketing the members' services for the member. This would clearly be a case of double dipping and our members are aware that they cannot claim expenses where they receive funding from their own members.

However, where our convention bureau members receive funding from their members as a subscription, the bureau's members cannot claim the subscription fee as the bureau spends the subscriptions on marketing all members' services. It is our view that funding from government is akin to members' subscriptions and there is not "double-dipping" as the government bodies cannot claim EMDG.

Benefit of International Business Events

Around the world, international business events are being used as strategic tools for attracting trade, investment and global talent. Governments invest in and support the international business events industry because they recognise the high yield and long-term benefits accruing in the sector.

AACB, in partnership with Deloitte Access Economics, released a report titled '*Australia's international business events sector: the economic and strategic value proposition*' (2014). The key findings identified that in 2012: 900,000 international business event delegates contributed to \$2.7 billion in delegate expenditure – 21% of all international visitor spend – and generated \$2.2 billion in GDP.

In 2012/13, \$241 million (GDP) was attributed directly to business development (bid wins) by Australian convention bureaux, off the back of international marketing activity. 78% of delegates expected to attend international business events won by Australia's convention bureaux fall within the 5-Pillar economy, aligning with the Nation's trade and investment priority areas.

Additionally, the sector augments economic activity well beyond directly measurable metrics and drives many other positive impacts:

- Attracting global talent
- Transferring knowledge
- Encouraging foreign investment
- Stimulating trade
- Fostering innovation
- Boosting productivity
- Nurturing research collaboration
- Promoting cultural exchange
- Delivering community benefits

As such, the Minister for Trade and Investment, the Hon Andrew Robb AO MP, has identified the international business events industry as an integral part of Australia's economic diplomacy agenda. *'Attracting Business Events to Australia: Role of Government Agencies'*, announced on 27 November 2014, recognises the work that Australia's convention bureaux do by making them the first point of contact in accessing bid and marketing support through a new Austrade and Tourism Australia partnership.

A recent report by Ernst and Young *'The Value of Business Events to Australia'* further emphasises the economic importance of business events to Australia's economy, stating that in 2014 the industry contributed:

- \$28 billion in direct expenditure
- \$13.5 billion in direct value added
- 179,357 direct jobs
- \$23.1 billion in total economic contribution (GDP).

Implications of Austrade's Current Assessment Procedure

Austrade's continued application of its new interpretation of Section 46 will force convention bureaux across Australia to reduce their international marketing activity.

This will have significant impact resulting in fewer international business events for Australia and therefore reduced export revenue, and a reduction in all the indirect benefits brought to the economy by business events. It will also impact Australia's ability to achieve its Tourism 2020 targets from this high yield sector.

The current assessment procedure of Approved Body applications is extremely time-consuming for both our members and Austrade. All expense items (sometimes in excess of 500 individual items) must be examined to ascertain if they are subject to reimbursement by government or other sources and all sources of funding must be reviewed to establish if it relates to claimed expenditure. The process is complicated as funding may be provided in one financial year but the expense may occur in another financial year, or the funding may not be fully acquitted in the year it is allocated. This complication is exacerbated by the EMDG Act requiring expenditure to be paid in the current financial year in order to be claimed in that financial year.

Austrade has also been slow to process our members' applications over past years with one member's 2009/10 application not being assessed until August 2012, and many subsequent applications by convention bureaux being processed after 30 June each year.

The combination of a changed approach, inconsistency and delay has made it difficult for our members to appropriately budget for receipt of EMDG funds. Our members are responsible for marketing their region and must carefully budget for any expenses. The reduction in EMDG and the delay in processing applications has made it difficult to budget how much is anticipated and when it is likely to be received, thus impacting on essential long-term planning for international marketing.

Recommendations

1. Section 46 amendment

AACB requests that through the 2015 EMDG Review, a recommendation be put forward that Section 46 of the Act be amended so that government funding made to Approved Bodies not be excluded by Section 46. We note that there is already a specific exclusion under Section 46(1A) for events promoters.

The suggested change could be worded along the following lines:

Section 46 (1B)

However, subsection (1) does not apply where an applicant is an Approved Body and receives funding from a government or government body for promotional activities undertaken on behalf of their members' eligible products.


It is our view that this change will restore the original intention of the Australian Government that Approved Bodies should receive EMDG funding for their international marketing activities and will eliminate the complexity and uncertainty resulting from Austrade's changed approach. As the EMDG program has a capped budget there will be no additional cost to the government.

2. Support policy application and processes for Approved Bodies

Following on from 'Implications of Austrade's Current Assessment Procedure' above, AACB requests that EMDG application and assessment processes for Approved Bodies become streamlined to reduce unnecessary red tape. We believe enhancements can be introduced to improve simplicity in the scheme's rules which will reduce the lengthy delays experienced by applicants while maintaining accountability and transparency in this important program.

Thank you for your consideration of these very important issues.

Yours sincerely,



Andrew Hiebl AFMEA
Executive Director/ Secretary

Attachments:

- *"Australia's International Business Events Sector: The Economic and Strategic Value Proposition"*, Deloitte Access Economics, 2014.
- *"Business Events: Delivering Economic Prosperity for Australia"*, Association of Australian Convention Bureaux, 2014.
- *"Attracting Business Events to Australia: Role of Government Agencies"*, Australian Government (Tourism Australia and Austrade), 2014.
- *"The Value of Business Events to Australia"*, Ernst and Young, 2015.