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The Productivity Commission, an independent Commonwealth agency, is the Government's principal review and advisory body on microeconomic policy and regulation. It conducts public inquiries and research into a broad range of economic and social issues affecting the welfare of Australians.

The Commission's independence is underpinned by an Act of Parliament. Its processes and outputs are open to public scrutiny and are driven by concern for the wellbeing of the community as a whole.

Information on the Productivity Commission, its publications and its current work program can be found on the World Wide Web at www.pc.gov.au or by contacting Media and Publications on (03) 9653 2244.

Foreword

The Productivity Commission is required to report annually on industry assistance and its effects on the economy. This review of developments over the past year examines the broad range of measures used by governments to impart assistance.

The review contains not only the Commission's latest estimates of Commonwealth assistance to industry, but also updated estimates of budgetary assistance provided by the States and Territories. The Commission consulted with officials from all State and Territory governments in compiling those estimates, and is grateful for their assistance.

This review also discusses recent developments in assistance in some key sectors of the economy, as well as support measures for individual firms. And it outlines some recent international policy developments affecting Australia's trade.

Trade & Assistance Review 2001-02 forms part of the Commission's annual report series. Its companion volumes are the Commission's *Annual Report 2001-02*, and *Regulation and its Review 2001-02*.

Gary Banks
Chairman

December 2002

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References

Abbreviations

ABARE	Australian Bureau of Agricultural and Resource Economics
ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
ACIS	Automotive Competitiveness and Investment Scheme
ACS	Australian Customs Service
ACT	Australian Capital Territory
ADC	Australian Dairy Corporation
ANZSIC	Australia and New Zealand Standard Industrial Classification
APEC	Asia Pacific Economic Cooperation
ATC	Australian Tourist Commission
ATO	Australian Taxation Office
BP	British Petroleum
CRC	Cooperative Research Centres
CSIRO	Commonwealth Scientific and Industrial Research Organisation
DAA	Dairy Adjustment Authority
DEP	Dairy Exit Program
DFA	direct financial assistance
DFAT	Department of Foreign Affairs and Trade
DIAP	Dairy Industry Adjustment Package
DITR	Department of Industry Tourism and Resources
DOTRS	Department of Transport and Regional Services
DRAP	Dairy Regional Assistance Program
DSAP	Dairy Structural Adjustment Program
EA	Environment Australia
ECRP	Exceptional Circumstances Relief Payments
ERA	effective rate of assistance
EFIC	Export Finance and Insurance Corporation
EMDG	Export Market Development Grants

EU	European Union
FCOJ	frozen concentrate orange juice
FI	funding to institutions
FIRB	Foreign Investment Review Board
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
GGA	Greenhouse Gas Abatement program
GST	goods and services tax
GVA	gross value added
IC	Industry Commission
ICT	information and communication technology
IIF	Innovation Investment Fund
IR&D	Industry Research and Development
LDCs	least developed countries
MIA	Murrumbidgee Irrigation Area
MNRF	Major National Research Facilities
MFN	most favoured nation
MVP	motor vehicles & parts
NRA	nominal rate of assistance
NSE	net subsidy equivalent
NSW	New South Wales
OECD	Organisation for Economic Co-operation and Development
PC	Productivity Commission
PIIP	Pharmaceutical Industry Investment Program
PMV	passenger motor vehicles
PTAs	preferential trading arrangements
R&D	research and development
RTP	Regional Tourism Program
SDAP	Supplementary Dairy Assistance Program
SIIP	Strategic Investment Incentive Program
SIP	Strategic Investment Program

SPS	sanitary and phytosanitary
TCF	textiles, clothing & footwear
TE	tax expenditures
TEXCO	Tariff Export Concession
TFC	Tourism Forecasting Council
TFES	Tasmanian Freight Equalisation Scheme
TPC	Trade Practices Commission
TPR	Trade Policy Review
TRADEX	Trade and Export Concession Scheme
TRIPS	trade related aspects of intellectual property rights
UHT	ultra heat treated
US	United States (of America)
WTO	World Trade Organisation

THE REVIEW

Key points

- Industry assistance has declined significantly over the past decade, particularly import restrictions. However, while most industries and firms now receive low assistance, some still receive substantial support.
- Gross assistance to industry amounted to over \$14 billion in 2001-02, including \$6.8 billion in tariff assistance on outputs and \$7.2 billion in budgetary programs.
- Commonwealth budgetary assistance has edged up since 1997-98, and totalled \$3.9 billion in 2001-02.
 - The main components of the \$2.2 billion in budgetary outlays were funding for CSIRO (17%), Austrade's export promotion and grants (15%), the R&D Start scheme (11%) and the TCF Strategic Investment Program (7%).
 - The Automotive Competitiveness and Investment Scheme was the most significant tax concession, accounting for almost one-third of all such assistance.
- The manufacturing sector is the major beneficiary of Commonwealth assistance. In 2001-02, it received \$4.4 billion in (net) tariff assistance as well as \$1.9 billion in budgetary assistance.
 - Textiles, clothing and footwear and the automotive industries remain the most highly assisted manufacturing industries.
- Commonwealth assistance to most agricultural activities remains low. Exceptions include the dairy industry, notwithstanding a decrease in assistance since its deregulation in 2000, and the sugar industry.
- The services sector received some \$900 million in Commonwealth budgetary assistance in 2001-02. However, tariffs on manufactured inputs increased service industries' costs by some \$2.3 billion in that year.
- In 2001-02, State and Territory governments are estimated to have spent \$3.3 billion on programs that assist industry (of which up to \$1.2 billion involved programs that provide incidental support).
 - This represents a real increase of 15 per cent since 1994-95.
- Increasingly assistance programs are designed to provide incentives for industries to adjust to market pressures. Assistance to the four most highly assisted industries — textiles, clothing and footwear, automotive, dairy and sugar — embody significant adjustment incentives.
- Increases in assistance are in train for tourism and, in response to the drought, the rural sector. Changes have also been introduced in relation to export programs, assistance for small businesses and ethanol production.
- Targeted support to individual projects and firms continues to be provided by State governments, often in competition with each other, as well as through the Commonwealth's Strategic Investment Incentive Program.

1 Introduction

The *Productivity Commission Act 1998* defines government assistance to industry as:

any act that, directly or indirectly, assists a person to carry on a business or activity, or confers a pecuniary benefit on, or results in a pecuniary benefit accruing to, a person in respect of carrying on a business or activity.

Assistance thus takes many forms. It includes tariffs, quotas, anti-dumping duties and regulatory restrictions on imported goods and services, as well as tax concessions and subsidies for domestic producers. Assistance also arises from the provision of underpriced services by government agencies and from government procurement policies.

Although assistance generally benefits the firms or industries that receive it, it comes at a cost to other sectors of the economy. For example, direct business subsidies increase returns to recipient firms and industries, but to fund subsidies governments must increase taxes and charges, cut back on other spending, or borrow additional funds. Similarly, while tariffs provide some price relief to domestic producers, they result in higher costs to local businesses (for their inputs) and higher prices for consumers, who then have less money to spend on other goods and services.

In some cases, particular types of industry assistance — most notably R&D funding — can deliver net community benefits. Similarly, some policies that have industry assistance effects may be justified on other grounds, such as the achievement of cultural, environmental or equity objectives.

However, in view of the many costs that industry assistance can entail, government measures that provide assistance need to be monitored and regularly reviewed. One of the Productivity Commission's functions is to review industry assistance arrangements. It also has a more general statutory obligation to report annually on assistance and its effects on the economy.

This year's *Trade & Assistance Review* contains the Commission's latest national assistance estimates, together with updated estimates of State and Territory budgetary assistance to industry (chapter 3). It also reports on selected developments in industry assistance at both the Commonwealth and State levels (chapters 4 and 5).

These estimates and related information help to reveal who gains and who loses from industry assistance. They also provide a broad indication of the resource allocation effects of assistance policies, and can highlight the costs of industry support.

However, care is required in interpreting the estimates. Among other things, they cover only those government measures which selectively benefit particular firms, industries or activities and which can be quantified given practical constraints in measurement and data availability. And while industry assistance can distort resource allocation within the economy, assessing whether the benefits of any particular industry assistance program exceeds its costs involves case-by-case consideration — a task beyond the scope of the *Trade & Assistance Review*.

This year's *Review*, as well as reporting on industry assistance, covers selected developments in international trade policy over the last year (chapter 6). It documents progress in the current round of World Trade Organisation (WTO) negotiations, Australia's involvement in preferential trading arrangements, and the findings of the recent WTO review of Australia's trade policies.

To provide a context for interpreting the assistance data and information presented in the *Review*, this report begins by outlining some key changes in industry assistance and the structure of Australia's economy and trade over recent decades (chapter 2).

2 Assistance and structural change

Australia's economy changed substantially over the latter half of the twentieth century. As in other developed nations, the relative contribution of Australia's manufacturing and agricultural sectors declined, while the importance of the services sector increased. From a trade perspective, Australia has become less dependent on commodity-based exports, as the manufacturing sector has become more export-oriented and as trade in services has increased.

While many factors have driven these changes, government policies have played a part. In earlier times, trade and industry policies were designed largely to protect and sustain particular sectors of the economy:

- For many years, successive Australian governments sought to foster manufacturing by erecting tariff barriers and import quotas to shield domestic producers from foreign competition.
- Governments also legislated to provide a number of agricultural boards with compulsory crop-acquisition powers and marketing monopolies. These arrangements were used to increase domestic prices and farmers' incomes and, in some cases, to subsidise sales in export markets.
- And, in parts of the services sector, such as air travel, the waterfront and certain professions, industry regulation and occupational licensing schemes were used to bar new entrants to the marketplace, and to restrict competition among the existing suppliers.

More recently, governments have pursued trade liberalisation, competition policy and other forms of microeconomic reform to promote a more open and adaptive economy. In general, the aim has shifted from protecting particular occupations, firms or industries to enhancing the efficiency of the economy as a whole.

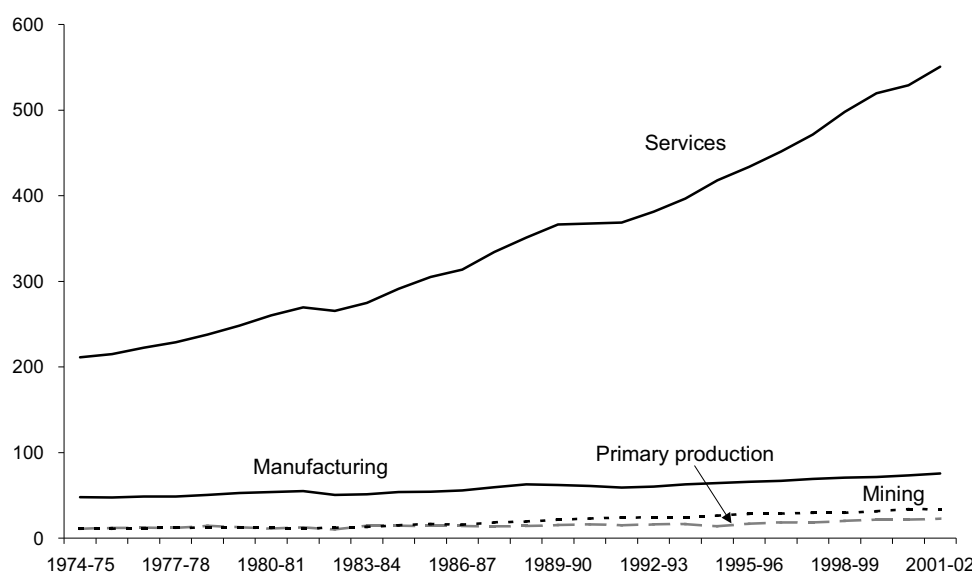
While the economic reforms of the last two decades have unwound many forms of industry assistance, a range of selective assistance measures remain. Some of these have a sound public policy rationale. Others are more difficult to justify.

In this chapter, the Commission describes some key changes in the structure of the Australian economy over recent decades, and outlines the broad role that changing levels and forms of assistance have played in these developments.

2.1 The changing structure of production and trade

Australia's GDP has more than doubled in real terms since the mid-1970s, led by rapid growth in the services sector, which now accounts for 80 per cent of total domestic output (figure 2.1). Although the other sectors have declined in relative importance, their real output has also increased.

Figure 2.1 **Gross value added by sector, 1974-75 to 2001-02**
\$ billion (real prices)



Source: EconData (2002) (ABS table 5206-01).

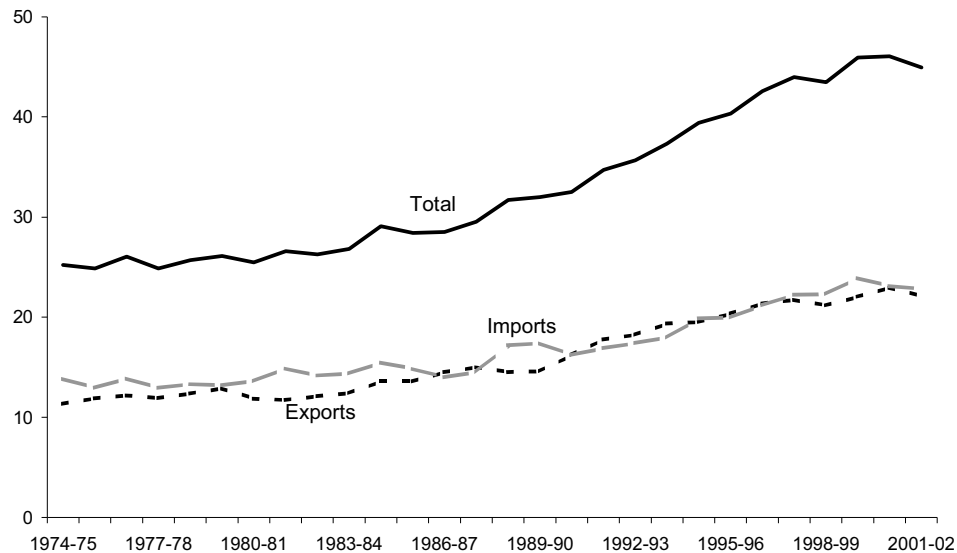
Trade has also grown in importance over the last two decades, driven in part by progressive trade liberalisation both in Australia and abroad. Trade intensity (imports plus exports of goods and services, as a proportion of GDP) has increased from 31 per cent in 1974-75 to 45 per cent in 2001-02 (figure 2.2).

Manufactured goods continue to account for the bulk of Australia's imports. Between 1991-92 and 2001-02, imports of manufactures more than doubled (in real terms) to reach \$119 billion, equivalent to 72 per cent of total imports, reflecting domestic economic growth and the wider availability of competitively-priced goods from abroad. Imports in the primary, services and other sectors also increased over this period.

Growth in total exports was similar to that in total imports (figure 2.2). The traditional exports of minerals, fuels and agricultural products continue to form the majority of Australia's exports of goods and services, amounting to 58 per cent of total exports in 2001-02. However, their share of total exports has declined from

around 62 per cent in 1991-92 as a result of accelerated growth in exports of manufactured products and services.

Figure 2.2 Trade intensity, 1974-75 to 2001-02
per cent of GDP



Data source: EconData (2002) (ABS tables 5206-51 and 5206-47).

2.2 Sectoral changes

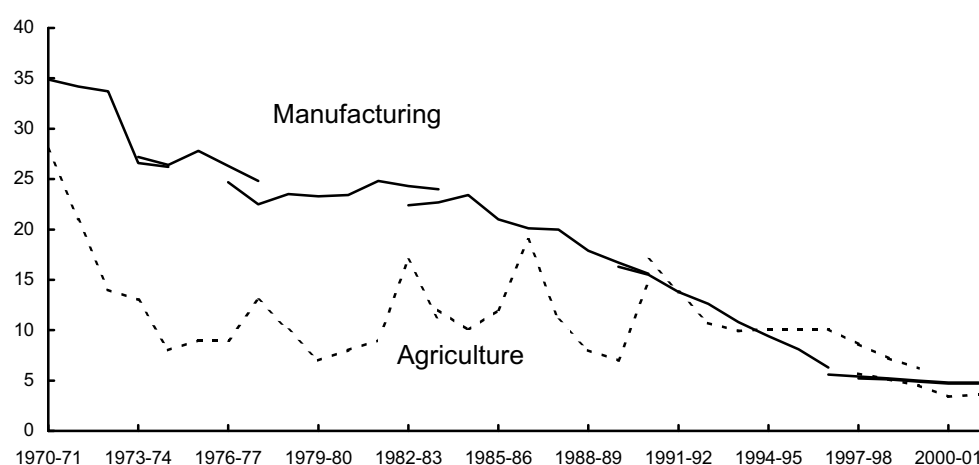
Manufacturing

Assistance to manufacturing has declined significantly over recent decades, largely due to the abolition of quotas and progressive reductions in tariffs since the mid-1980s (figure 2.3). With declining tariff rates, budgetary assistance has become relatively more important. Whereas import protection encourages local producers to focus on supplying the domestic market, and effectively penalises export activity, most budgetary assistance is more neutral between exports and domestic sales.

Thus, as import protection has declined, domestic manufacturing based solely on import-replacement strategies has increasingly made way for more export oriented and globally integrated production. For example, in the motor vehicle manufacturing industry, increasing import competition has provided important stimulus for the four domestic vehicle assemblers to adopt more innovative and efficient production practices and to look abroad for new markets. Automotive imports and exports have increased considerably over recent years, with the latter now accounting for more than 30 per cent of domestic automotive output.

Exports of domestic manufactures have increased almost threefold since 1990, partly offsetting the growth in manufactured imports. Today, the manufacturing sector accounts for around one-quarter of Australia's exports and around 12 per cent of total employment and GDP (table 2.1).

Figure 2.3 Average effective rates^a of protection to manufacturing^b and assistance to agriculture^b, 1970-71 to 2001-02
per cent



^a The effective rate of protection/assistance is the dollar value of measured protection/assistance divided by unassisted value added. Breaks in the series reflect the effects of periodic re-benchmarking to new reference data on industry inputs and outputs. ^b The effective rate of protection to manufacturing is not directly comparable with the effective rate of assistance to agriculture, due to differences in coverage, data and methodologies between the two sets of series. Among other things, the manufacturing series measures predominantly tariff and quota assistance (although selected budgetary assistance has been included in some series). The agricultural series measures tariff assistance, most budgetary assistance afforded agriculture and, the main component, assistance provided by domestic regulatory and pricing arrangements.

Data source: Commission estimates.

Primary production

While much of the agricultural sector is technically efficient by world standards and export-oriented, the production of a range of farm commodities — including sugar, tobacco, dried vine fruit, eggs, milk and rice — once attracted considerable assistance through statutory marketing and regulatory arrangements.

From the mid-1980s, governments began to unwind the price supports and other arrangements in a number of these industries. The dismantling of these arrangements, and other pressures such as a long-term decline in commodity prices, have provided incentives for rationalisation and greater efficiency in production. Reduced tariffs on machinery and other farm inputs have also increased the competitiveness of agricultural industries.

Assistance to a number of agricultural industries declined over the 1990s, but the level of assistance for primary production as a whole (figure 2.3) would have fallen further had it not been for the continuation of support for the dairy industry. Prior to its deregulation in July 2000, assistance to milk production accounted for well over half of all estimated assistance to agriculture. Assistance to agriculture dropped significantly in 2000-01. Prior to the current drought, the primary production sector accounted for around 20 per cent of Australia's exports, 3.5 per cent of employment and 5 per cent of GDP (table 2.1).

Mining

The mining sector has always been highly export-oriented. It accounts for around 35 per cent of Australia's total exports, although only 5 per cent of GDP and 1 per cent of employment. The main government interventions affecting the sector today are environmental regulations, prescribed royalty levels and accelerated depreciation provisions. Native title legislation can also affect land access and tenure. In contrast, most forms of budgetary assistance and tariffs have a relatively minor impact on the sector.

Services

As noted earlier, the services sector's share of domestic economic activity has grown considerably over recent decades. Today it accounts for around 80 per cent of GDP and employment. *Property & business, finance & insurance, health & community services, construction, transport & storage, and wholesale & retail trade* are some of the largest service industries in Australia (table 2.1).

Although trade in some services is not practicable, the introduction of new technologies and reductions in barriers to the international movement of people and capital over recent years has seen services become the fastest growing component of international trade. Even so, services are presently estimated to account for only 20 per cent of Australia's imports and exports.

The nature of services means that they cannot be protected through tariffs — in fact, tariffs on manufactured items impose significant cost penalties on services inputs (chapter 3). Rather, government assistance in the services sector takes more subtle forms. For example, imports of services may be restricted through regulatory barriers, such as limits on the temporary immigration of professionals or on the number of foreign bank licences. Whereas gauging the effects of tariffs on prices is relatively straight-forward, measuring the effects of such restrictions is difficult.

Table 2.1 Gross product and employment by sector^a, 2001-2002

Sector	Gross product ^b		Employment	
	Value \$m	Share %	Persons '000	Share %
<i>Primary production</i>	22 119	100.0	438	100.0
Agriculture	20 575	93.0	407	92.8
Forestry and fisheries	1 544	7.0	31	7.2
Total primary production as a percentage of total gross product and employment	3.5		4.8	
<i>Mining</i>	33 865	100.0	94	100.0
Total mining as a percentage of total gross product and employment	4.7		1.0	
<i>Manufacturing</i>	75 573	100.0	1 098	100.0
Food, beverages & tobacco	14 483	19.2	187	17.0
Textiles, clothing & footwear	2 276	3.0	76	6.9
Wood & paper products	5 433	7.2	72	6.6
Printing, publishing & recorded media	7 195	9.5	108	9.8
Petroleum, coal & chemicals	10 348	13.7	111	10.1
Non-metallic mineral products	3 900	5.2	45	4.1
Metal products	12 810	17.0	163	14.8
Machinery & equipment	15 852	21.0	251	22.8
Other manufacturing	3 276	4.3	86	7.8
Total manufacturing as a percentage of total gross product and employment	12.0		11.9	
<i>Services</i>	502 977	100.0	7 590	100.0
Electricity, gas & water supply	15 226	3.0	67	0.9
Construction	39 011	7.8	76	9.3
Wholesale trade	34 714	6.9	436	5.7
Retail trade	34 646	6.9	1 395	18.4
Accommodation, cafes & restaurants	15 350	3.1	464	6.1
Transport & storage	33 988	6.8	415	5.5
Communication	19 814	3.9	170	2.2
Finance & insurance	46 943	9.3	349	4.6
Property & business	77 162	15.3	1 043	13.7
Government administration & defence	25 440	5.1	393	5.2
Education	30 317	6.0	646	8.5
Health & community	40 438	8.0	909	12.0
Cultural & recreation	11 821	2.4	234	3.1
Personal & other	15 829	3.1	365	4.8
Ownership of dwellings	62 278	12.4	na	na
Total services as a percentage of total gross product and employment	79.8		82.3	

^a Figures may not add to totals due to rounding. ^b Gross product data are the industry gross value added at basic prices using 2000-01 chain volume measures. Total output is the total gross value added.

Source: ABS (2002a), EconData (2002).

Given the nature of services, the main sources of assistance to these industries appears to arise not from protection against foreign suppliers but from general restrictions on competition within the domestic market. Examples include: limits on the number of people who can enter particular professions, such as the medical specialities; controls, such as taxi licences, that limit the number of firms that can operate in a market; and the monopoly provision of major infrastructure services, such as gas supply and pipelines services, often by government instrumentalities or regulated private sector providers. Some of these restrictions are justified to deal with ‘market failures’ in the relevant industries or markets. However, increasingly since the early 1990s, Australian governments have been reviewing and reforming a variety of anti-competitive measures, latterly under the National Competition Policy.

3 National assistance estimates

The Commission and its predecessors have published estimates of industry assistance since the early 1970s. The estimates initially were focussed on the main forms of import protection for the manufacturing sector and domestic marketing arrangements for agriculture. Over time, the Commission has expanded its coverage to include a broad array of assistance measures touching all sectors of the economy.

The data and estimates reported in this chapter cover:

- Commonwealth budgetary assistance applying to all sectors;
- State and Territory budgetary assistance;
- tariff assistance, which assists mainly the manufacturing sector;
- agricultural regulatory and pricing assistance;
- trade restrictions in the services sector;
- anti-dumping measures; and
- ‘combined’ assistance for all sectors, and effective rates of combined assistance for the manufacturing, primary production and mining sectors.

The Commission’s estimates do not aim to capture all government support for industry (box 3.1). Further, the Commonwealth budgetary assistance estimates have been compiled on a different basis from those for the States and Territories. The Commonwealth budgetary estimates also contain some measures that are counted in the tariff assistance estimates (although the Commission adjusts for this when calculating ‘combined’ assistance). More generally, care is needed when drawing inferences from the estimates — in particular if attempting to compare assistance to the services sector with assistance to the three merchandise sectors.

The estimates of government assistance to industry in *Trade & Assistance Review* are intended principally to aid transparency and facilitate analysis. They do not of themselves indicate the policy merits, or the precise resource allocation effects, of different government assistance measures. Further guidance on the estimates is provided throughout this chapter and in the *Methodological Annex* to this year’s *Review* (PC 2002d).

Box 3.1 Coverage of the Commission's estimates

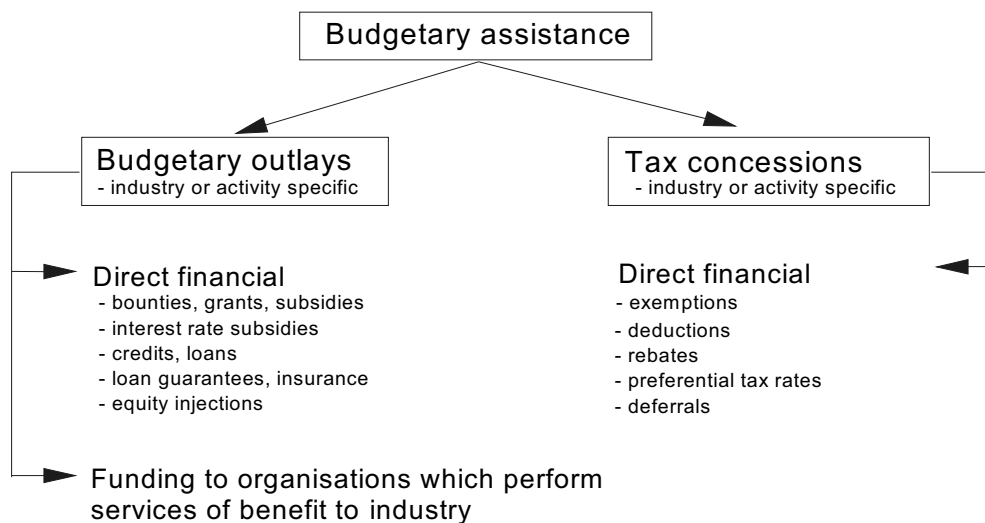
The Commission's assistance estimates cover only those measures which *selectively* benefit particular firms, industries or activities and which can be quantified given practical constraints in measurement and data availability. Exclusions from the estimates include:

- for agricultural industries, certain drought relief and any assistance effect that may be associated with quarantine restrictions, the underpricing of water resources or the absence of policies to address land degradation due to farming practices;
- government programs affecting a range of service industries, mainly relating to the provision of health and welfare, where funding predominantly benefits consumers and individual citizens;
- capital depreciation subsidies and the impact of tariffs on capital items;
- the effects of government purchasing preferences, particularly as they affect the manufacturing sector and IT industries; and
- in the case of the Commonwealth budgetary estimates, outlays on defence, health, education, professional sports and the arts industry, and the labour market.

3.1 Commonwealth budgetary assistance

Budgetary assistance comprises a range of outlays and tax concessions (figure 3.1). Recipients include individual firms, including those undertaking or utilising particular activities such as R&D, as well as particular industries or sectors.

Figure 3.1 Forms of budgetary assistance



As well as reporting budgetary assistance by form, this year's *Review* also reports on:

- the activities — R&D, export, industry-specific support etc — to which Commonwealth budgetary assistance is directed; and
- the incidence of assistance across different sectors and industry groupings.

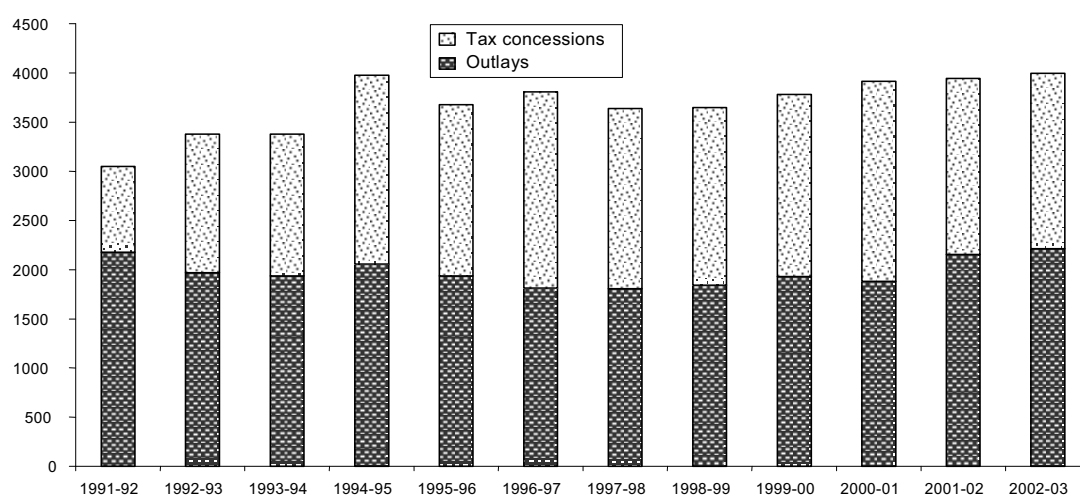
The assistance estimates in this section are derived primarily from the Commonwealth Budget Papers and Treasury's Tax Expenditure Statement. This year, the Commission has provided data on budgetary assistance up to 2002-03. The outlay figures up to 2001-02 are estimates, and those for 2002-03 are projections (based on Treasury forecasts). The tax concession figures up to 2000-01 are estimates, while those for 2001-02 to 2002-03 are projections. The estimates incorporate the Government's revisions of outlays and tax concessions for previous years. The Commission's approach to measuring Commonwealth budgetary assistance is explained in more detail in the *Methodological Annex*.

Aggregate estimates and trends

The Commission's estimates and projections of (nominal) budgetary assistance and its main components for the twelve years to 2002-03 are shown in figure 3.2.

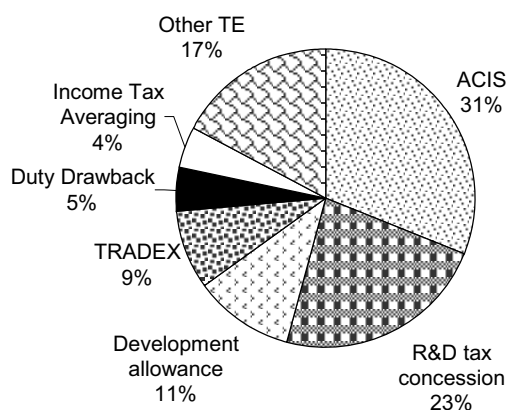
Following a reduction in 1997-98, total budgetary assistance has edged up again. Budgetary assistance was around \$3.9 billion in 2001-02 and is projected to reach \$4 billion in 2002-03, around the same level in nominal terms as in 1994-95.

Figure 3.2 **Commonwealth budgetary assistance to industry, 1991-92 to 2002-03**
\$ million



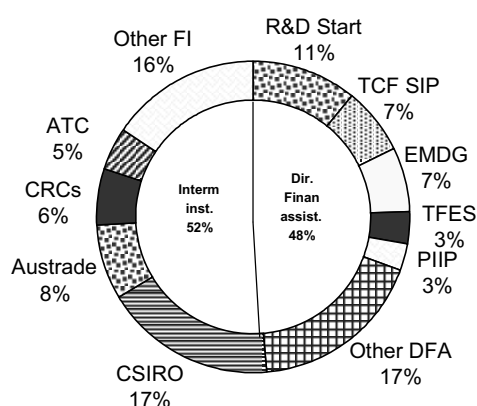
Data sources: Commonwealth Budget Papers; Treasury (2002); Commission estimates.

Figure 3.3 Major Commonwealth tax concessions, 2001-02



Data source: Commission estimates.

Figure 3.4 Major Commonwealth budgetary outlays, 2001-02



Data source: Commission estimates.

The main determinant of year-to-year changes in budgetary assistance is the impact of major tax concessions. Tax concessions can be open-ended, with no cap on revenue forgone. Thus, revenue forgone increases in response to growth in (successful) applications for assistance. The relatively high levels of budgetary assistance for the three-year period from 1994-95 to 1996-97 largely reflect the changes in the R&D tax concession, and the investment and development allowances, and the consequent increase in revenue foregone.

Tax concessions in 2001-02 totalled \$1.8 billion. The main tax concessions are the Automotive Competitiveness Investment Scheme (ACIS), the R&D tax concession and the Development Allowance (figure 3.3).

While the outlay category tends to be more stable than tax concessions, outlays increased by 15 per cent in 2001-02, reaching \$2.1 billion. Of this, about half was provided as direct financial assistance, with the other half comprising the funding of institutions such as the Australian Tourist Commission (ATC). As shown in figure 3.4, important outlays include Austrade's programs, R&D Start and the Innovation Investment Fund (IIF), and research by CSIRO, rural R&D corporations and cooperative research centres (CRCs).

Activities targeted

Budgetary assistance is often designed to encourage particular activities undertaken by firms across various industries and/or sectors. To provide an indication of the distribution of assistance amongst activities, the Commission classifies Commonwealth budgetary assistance into R&D, export, investment, and sectoral and adjustment measures (figure 3.5).

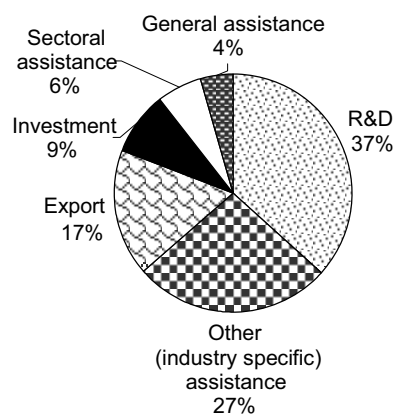
Caution is required in interpreting these estimates because particular programs may be designed to encourage more than one type of activity. In such cases, the Commission has allocated the program's total funding to the activity deemed to be the main target of the assistance. A further qualification is that the extent to which an activity that appears to be targeted by a program actually benefits from the assistance is not always clear. This reflects a lack of information on the operation of certain schemes and their economic effects.

As shown in figure 3.5, by far the largest shares of budgetary assistance involve R&D support and export assistance.

Sectoral and industry distribution

As well as reporting budgetary assistance by form and activity, the Commission also estimates the incidence of budgetary assistance by the benefiting industry. It reports the incidence of assistance using a four sector classification of the Australian economy and a multiple industry classification.

Figure 3.5 Commonwealth budgetary assistance by activity^a, 2001-02



^a The assistance categories include general as well as specific schemes targeting an activity within an industry. For example, the *export assistance* category includes broad-based export measures (such as the Export Market Development Grants scheme) as well as industry-specific measures (such as funding for the Australian Tourist Commission) which also facilitate exports. The *sectoral assistance* category covers programs specifically benefiting producers in a sector or facilitating adjustment. The other general assistance category covers measures (such as the regional assistance program) not already included in the above categories.

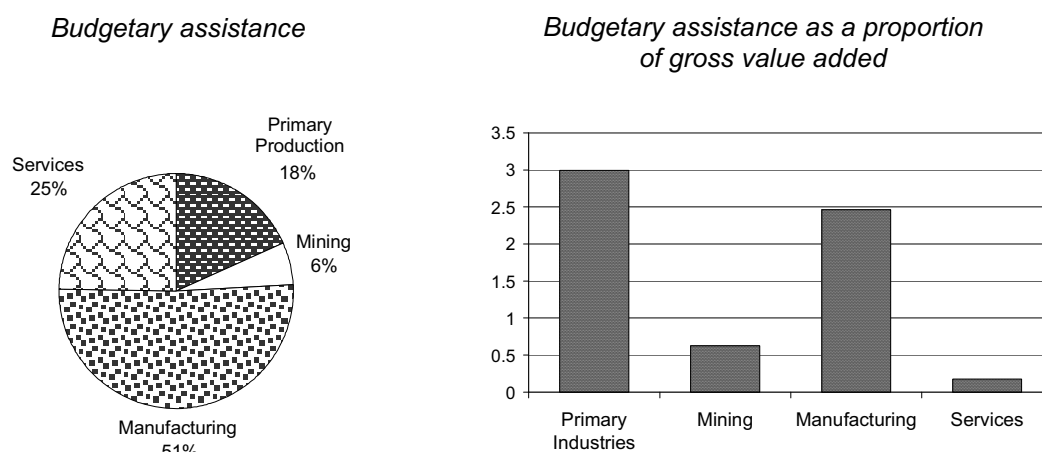
Data source: Commission estimates.

The methodology for allocating budgetary assistance among the sectors and industry groupings is discussed in the *Methodological Annex*. While the Commission has used detailed information to make these allocations, the need for judgment means that there remains some scope for imprecision.

Further, although the reporting of budgetary assistance by broad sectors and industries facilitates comparisons, it can conceal the significant variations in assistance between firms and industries within industry groupings. Indeed, many firms do not make any use of government programs. For example, a recent paper by Commission staff (Revesz and Lattimore 2001) found that the use of R&D and certain export programs between 1994 and 1998 ranged from 2 to 23 per cent of firms in the targeted activities.

Commonwealth budgetary assistance varies markedly between sectors, with the largest proportion directed to the manufacturing sector. As a proportion of gross value added — that is, relative to net industry output — budgetary assistance was highest for the primary production sector, followed by the manufacturing sector (figure 3.6).

Figure 3.6 Commonwealth budgetary assistance by sector, 2001-02



Data source: Commission estimates.

Table 3.1 below details the incidence of budgetary assistance by the Commission's 'industry grouping' classification. These groupings are not equivalent in size, so care is needed in drawing inferences from this data. Even so, *motor vehicles & parts* receives by far the most budgetary assistance — both in absolute terms and relative to its gross value added — reflecting the value of tariff concessions provided under the Automotive Competitiveness Investment Scheme.

Table 3.1 Budgetary assistance by industry grouping, 2001-02 (\$ million)

<i>Industry grouping</i>	<i>Budgetary outlays</i>	<i>Tax concessions</i>	<i>Total assistance</i>
Primary production	529.2	133.4	662.6
Dairy cattle farming	29.5	8.1	37.5
Grain, sheep and beef cattle farming	161.8	78.9	240.7
Horticulture and fruit growing	49.7	22.9	72.6
Other crop growing	67.4	12.5	79.9
Other livestock farming	11.0	3.8	14.8
Fisheries	49.6	10.8	60.4
Forestry and logging	39.6	0.9	40.5
Other ^a and unallocated primary production ^b	107.8	4.5	112.3
Mining	75.6	136.4	212.0
Manufacturing	763.7	1099.3	1862.6
Food, beverages & tobacco	55.2	26.6	81.8
Textiles, clothing, footwear & leather	189.3	26.9	216.2
Wood & paper products	31.8	8.2	40.1
Printing, publishing & media	22.3	1.5	23.8
Petroleum, coal, chemical & associated products	157.7	27.6	185.3
Non-metallic mineral products	11.7	7.5	19.2
Metal product manufacturing	47.5	73.2	120.7
Motor vehicles & parts	18.7	688.5	707.2
Other transport equipment	28.3	76.4	104.7
Other machinery & equipment	126.4	51.0	177.5
Other manufacturing	28.3	23.9	52.2
Unallocated manufacturing ^b	46.4	88.0	134.4
Services	524.7	368.6	893.3
Electricity, gas & water supply	20.7	61.1	81.8
Construction	29.4	9.5	38.9
Wholesale trade	13.2	35.8	49.0
Retail trade	25.2	6.8	32.0
Accommodation, cafes & restaurants	39.7	5.5	45.2
Transport & storage	53.5	37.2	90.6
Communication services	58.1	21.6	79.7
Finance & insurance	5.2	97.3	102.5
Property & business services	88.0	63.6	151.6
Government administration & defence	0.8	0.0	0.8
Education	11.7	1.3	13.0
Health & community services	37.1	3.0	40.1
Cultural & recreational services	86.2	25.2	111.4
Personal & other services	3.9	0.7	4.6
Unallocated services ^b	52.3	0	52.3
Unallocated other ^{bc}	261.6	52.0	313.6
TOTAL^d	2154.8	1789.7	3944.1

^a Other primary production includes *services to agriculture* (including *hunting & trapping*) and *poultry farming*.

^b Unallocated includes general programs where details of claimants and/or beneficiaries are unknown.

^c Austrade export promotion expenditure, which was previously allocated, is now included in the *unallocated other* category. ^d Totals may not add due to rounding. Source: Commission estimates.

3.2 State budgetary assistance

For this year's *Review*, the Commission has prepared estimates of the budgetary assistance to industry provided by the States and Territories (hereafter 'the States'), for the years 2000-01 and 2001-02. Similar estimates were last published as part of the Industry Commission's 1996 inquiry into *State, Territory and Local Government Assistance to Industry* (IC 1996).

This year's estimates have been drawn mainly from State budget papers, supplemented with additional information and feedback provided by State officials. The coverage of these estimates differs from the Commission's estimates of Commonwealth budgetary assistance (section 3.1) — for example, the estimates reported here include funding for professional sports and the arts industry.

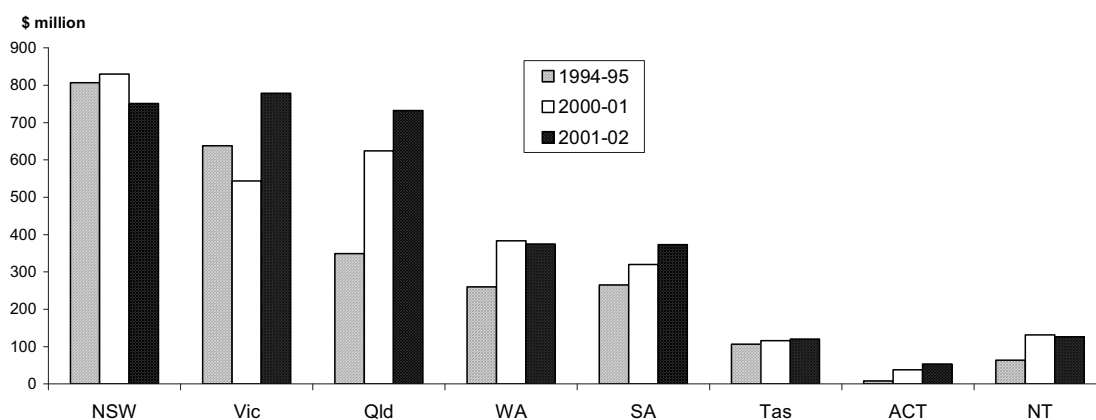
To differentiate between core industry assistance programs and programs that provide incidental assistance to industry, the Commission has classified the different State programs that assist industry according to their principal objectives. Data and information limitations mean that the estimates should be seen only as indicative, and caution should be exercised when making inter-jurisdictional comparisons. The data, methodology and classifications underlying the estimates are explained in appendix B, and detailed State-by-State data are presented in appendices C to J. As with the other estimates in this *Review*, the classification of a program as providing industry assistance does not of itself indicate whether the program has a sound public policy justification.

Aggregate estimates and trends in outlays

The estimates indicate that the States outlaid around \$3.3 billion in 2001-02 on programs that provide assistance to industry. This figure comprises more than \$2.1 billion of expenditure on programs with industry development objectives, and up to \$1.2 billion on programs that provide incidental assistance to industry. The total represents an increase of 15 per cent in real terms over the equivalent figure for 1994-95.

At the level of individual States, the greatest growth in assistance provided through budgetary outlays has been recorded in Queensland (figure 3.7). In the case of Victoria, which has also recorded an increase, some substantial budgetary outlays recorded in the estimate for 1994-95 — specifically, subsidies to aluminium smelters — have now been moved 'off budget', suggesting that the actual growth in assistance has been greater than indicated in the figure.

Figure 3.7 State outlays on assistance programs^a, 1994-95, 2000-01 and 2001-02



^a The outlays data include some minor tax concessions that are included in State budget papers as part of the overall expenditure for an agency or investment incentive program.

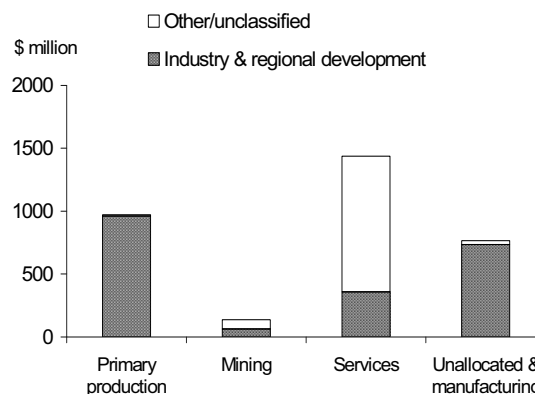
Source: Commission estimates.

Sectoral distribution of outlays

The Commission has also developed broad estimates of the distribution of State budgetary outlays by sector. The limited information available about beneficiaries of some of the programs has caused the Commission to place a number of programs in the ‘unallocated’ category. That said, most of these programs come under the ambit of the relevant State departments with responsibility for industry or state development, and it appears likely that most of these programs predominantly assist businesses in the manufacturing sector.

The distributional pattern shows some differences compared with the pattern of Commonwealth budgetary assistance, with services receiving a larger share of the State outlay estimates (figure 3.8). This partly reflects the inclusion of funding for professional sport and the arts in the State estimates. Tourism also attracts significant State assistance. Even so, as a proportion of gross value added, primary production receives the most support from State budgetary outlays, probably followed by manufacturing.

Figure 3.8 State outlays on assistance programs by sector, 2001-02



Data source: Commission estimates.

State and Territory tax concessions

As well as providing assistance through budgetary outlays, State governments provide various tax concessions to businesses. These include tax holidays or concessions provided as part of incentive packages for individual businesses or projects (discussed in chapter 5). While these tend to represent a minor part of budgetary assistance, State governments also provide major exemptions in relation to payroll tax and land tax, among others. Some of these exemptions are directed specifically towards the social welfare-related industries, but others are available to businesses more widely.

Figures presented in the budgets of the five largest Australian States suggest that, in total, payroll tax exemptions to industries (other than social welfare-related industries) amounted to around \$3.2 billion in 2000-01. However, these estimates are incomplete and, for reasons set out in appendix B, can be considered to represent a lower bound on the payroll tax exemptions that the States provide for non-social welfare-related industries.

The Commission estimates that, across all States, payroll tax exemptions to non-social welfare industries were closer to \$5 billion in 2000-01. This represents an increase of around 60 per cent in nominal terms over the equivalent figure for 1993-94. The increase is predominantly due to growth in wages and salaries, and thus the potential tax take, rather than changes in the rate of State tax concessions (appendix B).

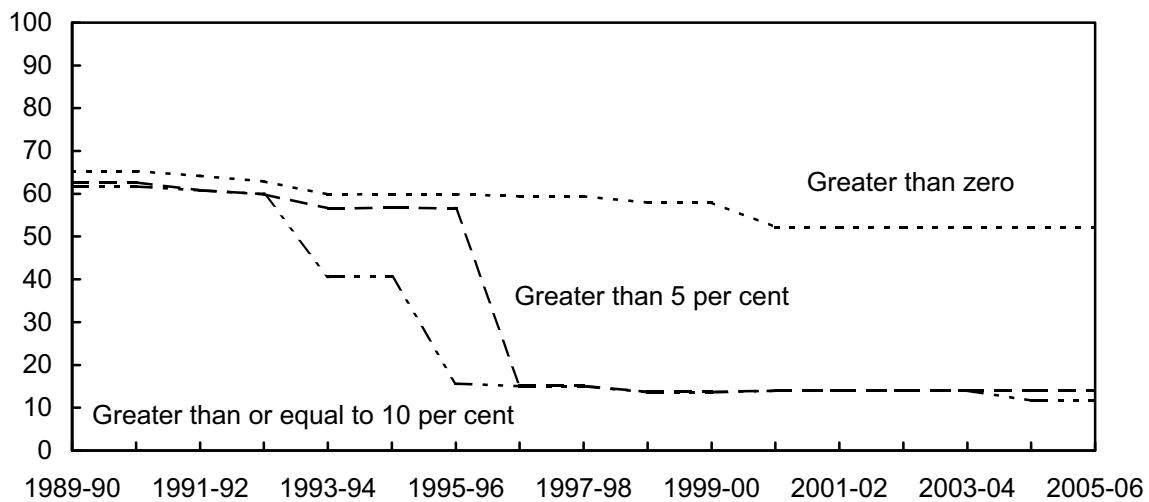
That said, the Commission emphasises that some portion of the payroll tax exemptions may be justified on tax-efficiency grounds — because up to some level of tax revenue, the costs of collecting and administering payroll taxes can exceed the revenue gained. While determining the optimal level of exemption is difficult, the current exemptions appear to significantly exceed the exemptions that could be justified on tax-efficiency grounds (appendix B).

3.3 Tariff assistance

Tariffs have a number of direct effects on the returns received by Australian producers. Tariffs on imported goods increase the price at which those goods can be sold on the Australian market, and thus allow scope for domestic producers of similar products to increase their prices. On the other hand, tariffs also increase the price of goods that are used as inputs and thus penalise local industries. This ‘penalty’ is reduced if tariff concessions are available to Australian producers. All of these effects are captured in the Commission’s estimates. The methodology underlying the Commission’s estimates of tariff assistance is set out in the *Methodological Annex*.

From the late 1980s to the mid-1990s, the proportion of items with general tariff rates greater than 5 per cent fell significantly (figure 3.9), reflecting a series of tariff policy changes over this period. A four-year program of phased reductions in tariffs commenced in 1988 and, in 1991, the Government announced the continuation of phased reductions in tariffs through to 1996. The remaining tariff items with general rates greater than 5 per cent are largely associated with just two industries, *textiles, clothing & footwear* (TCF) and *motor vehicles & parts* (MVP). However, these two industry groupings also experienced declines in tariffs during the 1990s.

Figure 3.9 **Proportion of tariff line items^a for selected general rates^b, 1989-90 to 2005-06^{cd}**
per cent



^a A tariff line item is defined as an 8-digit import item as outlined in the Australian Customs Tariff Schedule.

^b The general rate is defined as the rate of duty applicable to individual tariff line items. ^c Rates for the years 1989-90 to 1995-96 and 1998-99 are averages for the year. From 1996-97 to 2003-04 and 2005-06, excluding 1998-99, the rates are for 1 July, while for 2004-05 the rates are for 1 January 2005. The rates at 1 July 2000 are assumed to also apply for the periods 2001-02 to 2003-04. ^d Tariff rates exclude the excise component of general rates on excisable goods.

Data source: Commission estimates based on the Australian Customs Tariff.

The Commission estimates that the gross dollar value of tariff assistance on outputs was \$6.8 billion in 2001-02. Most tariff assistance is directed towards industries in the manufacturing sector (column 1, table 3.2). Indeed, the sector derives around three quarters of its total measured assistance from this source.

Mining and primary production industries receive little tariff assistance on outputs, and tariffs cannot be levied on services. In fact, because of their cost-raising effects on the industries' inputs, tariffs impose net penalties on all industries in these sectors, other than horticulture and fruit growing (column 2 in table 3.2).

Table 3.2 Tariff assistance by industry grouping, 2001-02

\$ million

<i>Industry grouping</i>	<i>Output assistance</i>	<i>Input assistance</i>	<i>Net tariff assistance</i>
Primary production	45.7	- 94.7	-49.0
Dairy cattle farming	0.0	-5.0	-5.0
Grain, sheep and beef cattle farming	0.0	-22.7	-22.7
Horticulture and fruit growing	39.8	-12.3	27.5
Other crop growing	0.0	-8.7	-8.7
Other livestock farming	0.0	-3.1	-3.1
Fisheries	0.1	-23.1	-23.0
Forestry	5.8	-11.4	-5.7
Other primary production ^a	0.0	-8.2	-8.2
Mining	2.4	-178.7	-176.3
Manufacturing	6696.1	-2265.2	4431.0
Food, beverages & tobacco	1170.2	-301.4	868.8
Textiles, clothing, footwear & leather	779.6	-164.3	615.2
Wood & paper products	504.6	-152.9	351.7
Printing, publishing & media	276.9	-109.3	167.6
Petroleum, coal, chemical & associated products	950.5	-296.5	654.0
Non-metallic mineral products	184.6	-42.3	142.3
Metal product manufacturing	957.8	-361.5	596.3
Motor vehicles & parts	1017.9	-305.9	712.1
Other transport equipment	44.8	-82.3	-37.5
Other machinery & equipment	517.7	-319.8	197.9
Other manufacturing	291.6	-128.9	162.7
Services	36.2	-2335.0	-2298.8
Electricity, gas & water supply	0.0	-53.3	-53.3
Construction ^b	3.8	-713.8	-710.0
Wholesale trade ^b	22.6	-177.7	-155.0
Retail trade	0.0	-202.0	-202.0
Accommodation, cafes & restaurants	0.0	-204.6	-204.6
Transport & storage	0.0	-177.2	-177.2
Communication services ^b	9.8	-69.7	-59.9
Finance & insurance	0.0	-48.1	-48.1
Property & business services	0.0	-254.2	-254.2
Government administration & defence	0.0	-184.8	-184.8
Education	0.0	-43.0	-43.0
Health & community services	0.0	-86.2	-86.2
Cultural & recreational services	0.0	-57.2	-57.2
Personal & other services	0.0	-63.2	-63.2
TOTAL^c	6780.5	ne	ne

^a Other primary production includes *services to agriculture* (including *hunting and trapping*) and *poultry farming*. ^b Due to ABS industry-of-origin classification conventions, a small amount of output tariff assistance is recorded for these service industries. ^c Totals may not add due to rounding. **ne** not estimated.

Source: Commission estimates.

Tariffs for MVP and TCF, which have been frozen since 2000, are scheduled to decline in 2005 (see chapter 4). Other industries to be affected by phasing arrangements are the *petroleum, coal & chemical products, fabricated metal products* and *other machinery & equipment* industries.

Other tariffs are likely to remain at their current rates of 5 per cent or less for the foreseeable future, although Australia is a signatory to the Bogor Declaration (APEC 1994) that commits industrialised countries in the Asia Pacific Economic Cooperation grouping (including Australia) to achieving ‘free and open trade and investment’ by no later than 2010.

3.4 Agricultural pricing and regulatory assistance

Just as the manufacturing sector derives most of its assistance from tariffs and tariff concessions, so historically has the bulk of measured assistance to the agriculture sector been maintained through a range of statutory marketing arrangements, regulations and price supports.

While some of these schemes were dismantled in the 1980s, as recently as 1997 the Commission’s estimates incorporated assistance derived from statutory marketing arrangements for dairy, sugar, rice and eggs, a local content scheme for tobacco leaf and loan guarantees for borrowings by the wheat and wool boards. However, for the last few years, pricing and regulatory support have been limited to the rice and dairy industries.

Prior to 2000-01, assistance to the dairy industry was derived from a combination of State Government price and regulatory controls, which maintained high prices for drinking milk, and Commonwealth Market Support Payments for milk used in manufacturing. These arrangements provided dairy farmers with assistance of around \$450 million in 1999-2000.

These arrangements were terminated as part of the deregulation of the dairy industry in July 2000, although a levy was imposed on retails sales of drinking milk to fund an adjustment package for existing dairy farmers. The Commission estimates that these arrangements provided around \$180 million in 2000-01 to those farmers who have remained in the industry. Assistance increased again in 2001-02, to around \$250 million, as payments from the Supplementary Dairy Assistance Program — announced in May 2001 — came on stream (table 3.3). However, the Commission expects assistance to decline over the forthcoming years as these payments runout and as more dairy farmers exit the industry. (The effects of dairy industry deregulation are discussed in more detail in section 4.1 of chapter 4.)

The rice industry is centred in the Riverina in New South Wales and is far smaller than the dairy industry. It is assisted through statutory marketing arrangements which allow the NSW Rice Growers Co-operative to vest and market all rice grown in the state. This enables the domestic price of rice to be maintained at higher levels than would prevail under more competitive conditions. The Commission estimates that assistance derived from these arrangements was around \$7 million in 2001-02 (table 3.3).

Table 3.3 **Agricultural pricing and regulatory assistance, 1999-2000 to 2001-02**
\$ million

<i>Industry grouping</i>	<i>1999-2000</i>	<i>2000-01</i>	<i>2001-02</i>
Dairy cattle farming	448.6	181.5	253.5
Other crop growing (rice)	4.2	9.7	6.6
Total ^a	452.8	191.3	260.1

^a Totals may not sum due to rounding. *Source:* Commission estimates.

3.5 Restrictions on trade in services

Although many services are not traded across borders and are not subject to tariffs, domestic service suppliers can receive assistance through cross-border regulatory restrictions on, for example, the temporary or permanent immigration of personnel. Assistance also arises through domestic regulations that restrict competition within Australia. Entry requirements for foreign-trained doctors represents an example of the former, while restrictions on college places for local people wanting to train as doctors represent an example of the latter.

While measuring such restrictions is more difficult than measuring restrictions on trade in goods, the Commission — in collaboration with the Australian National University — has developed a methodology to gauge the impact of restrictions on trade in services. The methodology allows researchers to classify the different types of restrictions on trade in services, assess the nature and extent of these restrictions, and estimate the effect of the restrictions on the profit margin or price of services. The methodology was described in last year's *Review* (PC 2001). While it aims to capture the economic significance of various restrictive measures across countries, it inevitably involves a degree of subjective judgment as to the relative importance of different restrictions. Estimates of the price effects of the restrictions also need to be interpreted with caution.

Results from studies of restrictions in banking, distribution, the professions, telecommunications and maritime are outlined in table 3.4. Although their

underlying data sets are becoming dated, the studies provide an indication of the level and effects of trade restrictions on services trade in some key Australian sectors.

Table 3.4 Trade restrictiveness indexes and their price effects for selected services

	<i>Domestic^a</i>		<i>Foreign^a</i>		<i>Price effect^b</i>	
	<i>Maximum (country)</i>	<i>Australia (rank^c)</i>	<i>Maximum (country)</i>	<i>Australia (rank)</i>	<i>Maximum (country)</i>	<i>Australia (rank)</i>
Legal	0.33 (Austria, Japan)	0.27 (24/29)	0.58 (France, Turkey)	0.42 (10/29)	ne	ne
Accountancy	0.31 (India)	0.16 (12/34)	0.63 (Philippines)	0.41 (18/34)	ne	ne
Architectural	0.25 (Canada)	0.03 (12/34)	0.44 (Austria)	0.15 (12/34)	ne	ne
Engineering	0.2 (Austria, Germany)	0.04 (15/34)	0.39 (Austria)	0.08 (6/34)	14.5 (Austria)	2.8 (6/20)
Distribution	0.26 (Korea)	0.03 (5/38)	0.40 (Malaysia)	0.10 (7/38)	ne	ne
Banking	0.27 (Malaysia)	- (1/38)	0.65 (Malaysia)	0.12 (22/38)	60.6 (Malaysia)	9.3 (21/38)
Telecommunications	0.47 (Turkey)	0.04 (7/38)	0.80 (Turkey)	0.04 (7/38)	138.4 (Indonesia)	0.3 (8/37)
Maritime	0.28 (Korea)	0.13 (14/35)	0.64 (Philippines)	0.42 (21/35)	ne	ne

^a The restrictiveness index scores range from 0 to 1. The higher the score, the greater are the restrictions for an economy. ^b The price effect of restrictions is measured as a percentage. ^c Rank refers to the position of Australia relative to other countries in the study, where 1 is the least restrictive economy. For example, 24/29 means Australia is the 24th least restrictive economy of the 29 economies included in the study — that is, there are five economies more restrictive than Australia. **ne** Not estimated. - Nil.

Sources: Kalirajan (2000); Nguyen-Hong (2000); Kalirajan et. al. (2000); McGuire and Schuele (2000); McGuire, Schuele and Smith (2000); Warren (2000a); Warren (2000b).

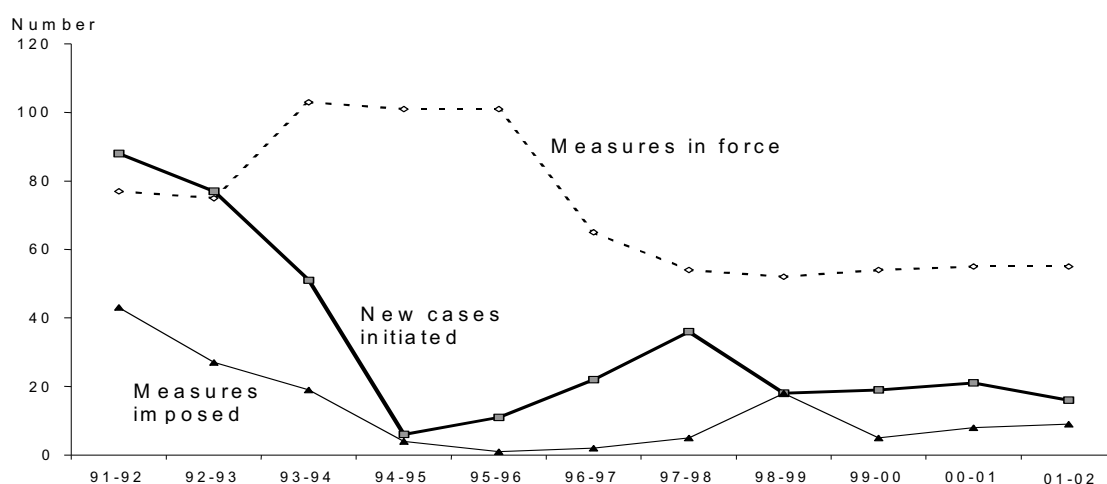
The estimates indicate that, by international standards, Australia's restrictions are moderate or low. Some price impacts also appear limited — less than one per cent in the case of telecommunications and 3 per cent in the case of engineering. However, the effect of non-prudential restrictions in banking on bank interest rate margins was estimated to be closer to 10 per cent. A more recent study by Commission researchers (Doove et al 2001), summarised in last year's *Review* (PC

2001), estimated tentatively that Australia's bilateral air transport restrictions increase discount international fares to and from Australia by around 15 per cent.

3.6 Trends in anti-dumping activity

Under Australia's anti-dumping rules, local companies can apply to have anti-dumping and countervailing measures — mainly 'temporary' customs duties — imposed on 'dumped' imports if the imports cause or threaten to cause material injury to the local industry.¹

Figure 3.10 Anti-dumping and countervailing activity^a, 1991-92 to 2001-02



^a A measure or case is counted as an action applying to one commodity from one economy. If multiple economies are involved, they are counted as separate actions.

Data sources: ACS and Commission estimates.

Like other measures that raise the price of imports, anti-dumping and countervailing measures assist the protected industries, but also impose higher costs on other domestic industries and consumers. Lack of information means that the Commission does not include the assistance effect of these duties in its national estimates, but monitors year-to-year usage.

Aside from a rise in 1997-98, the number of new anti-dumping and countervailing cases *initiated* in Australia has been stable and relatively low over recent years, compared with the early 1990s (figure 3.10). Of the 16 new anti-dumping cases in

¹ Dumping is said to occur when a foreign supplier exports goods at a price below the value of the goods in the supplier's home market. WTO rules allow countries to apply anti-dumping measures on 'dumped' imports if they cause, or threaten to cause, material injury to a competing domestic industry. Similar measures (countervailing duties) may also be applied to imports that benefit from certain forms of subsidies in the country of origin, but are not necessarily dumped.

2001-02, three firms in the *Petroleum, coal, chemical & associated products* industry were responsible for 10 initiations, with firms in the *Wood & paper products* and *Metal product manufacturing* industries accounting for the remainder. This pattern of initiations is similar to that of previous years.

The actual number of anti-dumping and countervailing measures *imposed* by the government, and the number of measures *in force*, have broadly followed the trend in the number of cases initiated, albeit with slight lags (figure 3.10).

More detailed information on the number and nature of recent anti-dumping cases in Australia and the level of anti-dumping activity overseas is presented in appendix K.

3.7 Combined tariff, budgetary and agricultural pricing and regulatory assistance

For this year's *Review*, the Commission has compiled 'combined' estimates of the key forms of national assistance covered in this chapter, namely:

- Commonwealth budgetary assistance;
- tariff assistance; and
- agricultural pricing and regulatory assistance.

The combined estimates exclude State budgetary assistance and assistance provided through restrictions on services trade and anti-dumping measures, as the estimates of these measures are either insufficiently robust or not compatible with those for the above measures. More generally, the estimates do not include any other forms of assistance that are not captured in the Commission's estimates (as outlined in box 3.1).

Measures

Table 3.5 reports estimates of the dollar value of combined assistance to different industry groupings for 2001-02. This *net subsidy equivalent* is a measure of the net assistance to the land, labour and capital resources used in a particular industry or activity. It measures the transfers of income to producers from consumers, taxpayers and intermediate suppliers, although it does not indicate the 'economic welfare' costs to the community of the assistance.

Table 3.5 also includes estimates of the *effective rate of assistance* for the manufacturing, primary production and mining sectors for 2001-02.² Technically, effective rates are a measure of the net assistance to an industry divided by the industry's unassisted value added. They can provide an indication of the extent to which assistance to an industry allows it to attract and hold economic resources. That is, where there is some competition between industries for resources, those industries with high effective rates of assistance are more likely, as a result of their assistance, to be able to attract resources away from those with lower rates. The effective rate concept is discussed further in the *Methodological Annex*.

For this year's *Review*, the Commission has made a number of adjustments to its effective rates model and methodology to update the estimates and improve their comparability across sectors. These modifications include:

- updating its manufacturing and mining estimates to incorporate the latest 'input-output' data available from the ABS;
- switching its agriculture estimates to a similar input-output data source;
- including all Commonwealth budgetary assistance in the estimates, whereas the previous estimates included no budgetary assistance to manufacturing and mining, and only some budgetary assistance to agriculture; and
- aligning the definition of value-added across the different sectoral estimates.

These changes mean that the effective rate estimates published in this chapter are not directly comparable with the estimates previously published by the Commission. The changes are documented in the *Methodological Annex* (PC 2002d). The annex also contains time-series estimates back to 1997-98, in addition to the 'snapshot' data for 2001-02 presented here.

Sectoral estimates

At the sectoral level, the estimates in table 3.5 indicate that:

- the manufacturing sector attracts the most combined assistance, particularly in absolute dollar terms but also in effective rate terms;
- primary production attracts a lower rate of combined assistance;
- mining attracts negligible net measured assistance; and
- combined assistance to the services sector is negative.

² Effective rates of assistance (ERAs) have not been published for the services sector mainly for technical reasons associated with the treatment of services in transportable goods sectors. In addition, ERAs for services would involve double-counting of services value added in the formation of economy-wide ERA measures.

Taking the sectoral incidence of the Commission's State budgetary assistance estimates into account (section 3.2) would result in a slight narrowing of these disparities (even if all the 'unallocated' assistance in the estimates were allocated to manufacturing — see appendix B).

However, the key point from this analysis is that, in contrast to the levels of assistance recorded in earlier periods (as discussed in chapter 2), all sectors now record low average rates of (combined) assistance.

Industry estimates

These sectoral averages hide significant variation in assistance between industries.

At the high end are TCF and parts of MVP. The effective rates for these industry groupings are around 25 and 11 percent respectively. However, the MVP industry grouping covers a broader range of activities than just passenger motor vehicle production. Some of the activities in this industry grouping receive low assistance, others attract high levels of assistance. Indeed, in its recent inquiry into the automotive industry, the Commission estimated (using different data sources) that assistance in 2000 to a 'typical' motor vehicle assembler and component producer within the sector exceeded 30 per cent.

The dairy industry continues to record the highest level of assistance among agricultural industries, with an effective rate of around 16 per cent in 2001-02. However, this represents a significant decline compared with the level that prevailed prior to the industry's deregulation in July 2000, when the effective rate of combined assistance was 31 per cent. Further, under the new arrangements, assistance to dairy farmers has been 'decoupled' from dairy output and farm activity levels, thus diluting its effects on production incentives.

The sugar industry — which is part of *Other crop growing* — has recently attracted an increase in assistance. In its current study of industries in the Great Barrier Reef catchment, the Commission disaggregated assistance to this industry grouping. Sugar was estimated to attract a net subsidy equivalent of \$57 million in 2001-02, which translates into an effective rate of combined assistance estimated to be around 7 per cent, which is about double the sectoral average.

The assistance arrangements applying to the TCF, MVP, dairy and sugar industries are examined in more detail in the next chapter.

Table 3.5 Combined^a assistance by industry grouping, 2001-02

Industry grouping	NSE ^b	ERA
	\$m	%
Primary production^c	873.8	2.8
Dairy cattle farming	286.0	15.7
Grain, sheep and beef cattle farming	224.6	1.5
Horticulture and fruit growing	103.9	2.3
Other crop growing	71.2	2.4
Other livestock farming	11.7	1.1
Fisheries	37.5	2.1
Forestry	34.8	4.0
Other primary production ^d	6.3	0.2
Mining^c	35.2	0.1
Manufacturing^c	5497.6	4.6
Food, beverages & tobacco	949.9	3.7
Textiles, clothing, footwear & leather	806.0	25.1
Wood & paper products	391.5	4.9
Printing, publishing & media	191.3	1.5
Petroleum, coal, chemical & assoc. products	836.5	4.3
Non-metallic mineral products	161.5	2.5
Metal product manufacturing	713.4	4.1
Motor vehicles & parts	768.7	11.2
Other transport equipment	67.2	2.8
Other machinery & equipment	368.0	3.0
Other manufacturing	196.9	4.2
Services^c	-1414.7	ne
Electricity, gas & water supply	28.5	ne
Construction	-672.0	ne
Wholesale trade	-111.9	ne
Retail trade	-170.0	ne
Accommodation, cafes & restaurants	-159.4	ne
Transport & storage	-89.0	ne
Communication services	19.8	ne
Finance & insurance	54.4	ne
Property & business services	-102.6	ne
Government administration & defence	-184.0	ne
Education	-30.1	ne
Health & community services	-46.1	ne
Cultural & recreational services	54.2	ne
Personal & other services	-58.6	ne

^a 'Combined assistance' comprises budgetary, tariff and agricultural pricing and regulatory assistance, as reported in tables 3.1, 3.2 and 3.3 respectively. The total NSE has been adjusted to take account of programs included in both tariff and budgetary assistance. ^b NSE estimates are derived using ABS Industry Gross Value Added at current prices data. This information is subject to periodic revision by the ABS. ^c Totals may not add due to rounding. Sectoral totals also include assistance to the sector that has not been allocated to specific industry groupings. ^d Other primary production includes *services to agriculture, hunting and trapping* and *poultry farming*. **ne** not estimated. Source: Commission estimates.

All other industry groupings covered in the estimates recorded an effective rate of less than 5 per cent in 2001-02, with many recording a rate of less than 3 per cent.

While mining, fisheries and, to a lesser extent, forestry recorded low effective rates, the forms of assistance covered in the ‘combined’ estimates play a relatively minor role in these industries relative to other government measures. Specifically:

- the mining industry is more affected by environmental regulation, prescribed royalty levels and accelerated depreciation provisions. Native title legislation can also affect land access and tenure; and
- the key government measures affecting forestry and fisheries relate to resource management issues, such as the pricing of forests and the use of quotas to control harvesting rates to protect the resource stock.

The assistance implications of these measures, whether positive or negative, are not captured in the Commission’s estimates.

4 Recent developments in assistance to selected industries

As well as providing quantitative estimates of the levels of assistance across the economy, each year the Commission documents and reports on key policy changes and developments affecting assistance to industry.

In this chapter, the Commission reports on recent developments in selected industries. These include the four more highly assisted industries identified in chapter 3, namely textiles clothing & footwear, the automotive manufacturing industry, dairy farming and sugar growing. It also reports on recent developments in relation to citrus growing, ethanol production, tourism, and airlines.

4.1 Dairy

Background

The dairy industry has been subject to adjustment pressures for some years. This process has been driven by a long-term trend of the cost of inputs rising faster than prices. In response, farms have generally become larger and herd sizes have increased, as have cow yields. Australian dairy companies have also increased their processing capacity. With domestic milk output growing more quickly than the consumption of dairy products, the share of production that is exported has increased. In recent years, over 50 per cent of total milk production, and 60 per cent of manufactured dairy products, have been exported (ADC 2001).

For many years the dairy industry was the most highly assisted industry in Australia. Until June 2000, Commonwealth and State arrangements inflated drinking milk prices in order to generate monetary transfers from Australian consumers to dairy farmers. Under these arrangements, State dairy authorities paid eligible farmers a fixed price for drinking milk, which was more than twice the farmgate price for freely traded 'manufacturing' milk destined for processing into products such as butter, cheese, milk powder and ice cream. These arrangements helped to deflect adjustment pressures in some parts of the industry.

During the National Competition Policy review process, strong support for dairy deregulation emerged in Victoria. Victoria is the largest milk-producing state, but produces the lowest proportion of drinking milk. Accordingly, Victorian farmers had been receiving far lower prices on average for their output than dairy farmers in other States. For example, in 1999-2000, Victorian farmers received an average of 26 cents per litre at the farmgate, whereas Queensland farmers received 39 cents per litre. In a ballot conducted by the Victorian Government in December 1999, a vast majority of Victorian dairy farmers voted in favour of deregulation.

Changes in assistance

The dairy industry was largely deregulated in July 2000, eliminating the artificial distinctions on milk supply in Australia and facilitating interstate milk trade.

As part of the deregulation process, the Commonwealth Government introduced an assistance package — the Dairy Industry Adjustment Package — to provide payments to dairy farmers. These payments will amount to around \$1.8 billion over the period to 2008.

The largest component of the adjustment package is the Dairy Structural Adjustment Program (DSAP), which is to provide \$1.63 billion in equal quarterly instalments to eligible farmers (and ex-farmers) over the 8 year life of the package. Farmers can use private financing arrangements to convert this assistance into a lump sum payment. To qualify for the program, dairy farmers must demonstrate that, on 29 September 1999, they had an interest in a dairy farm enterprise that delivered milk during 1998-99. Almost 30 000 farmers will receive DSAP payments averaging a little over \$54 000 over the life of the package.

Other programs in the adjustment package include the Dairy Exit Program, the Dairy Regional Assistance Program and the Supplementary Dairy Assistance Program.

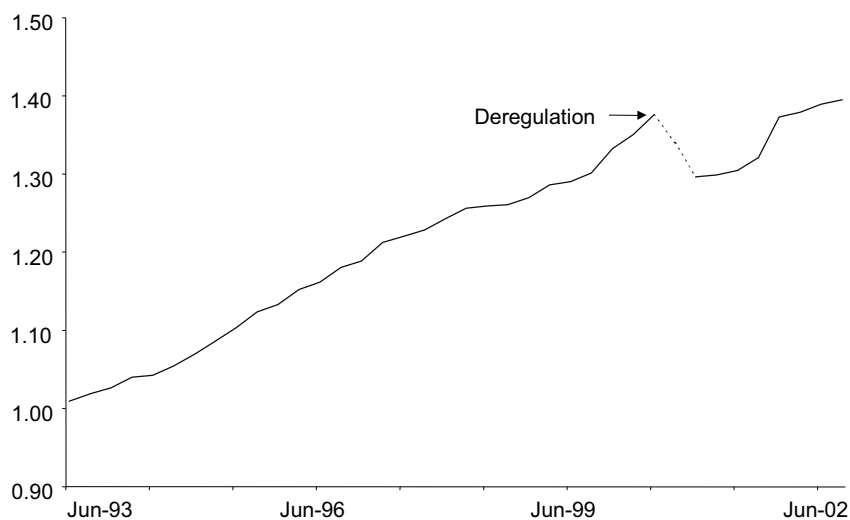
The cost of the package is funded by an 11 cents per litre levy on retail sales of drinking milk, to remain until at least 2008. Further details of the adjustment package and milk levy were provided in last year's *Review* (PC 2001).

Payments under the new arrangements represent a significant reduction in support for the dairy industry compared with the previous arrangements. The DSAP delivered around \$180 million in funding in 2000-01, while the previous Commonwealth and State arrangements are estimated to have provided around \$450 million in assistance in 1999-2000. As a result of the changed arrangements, the effective rate of combined assistance for dairy has decreased from 31 per cent in 1999-2000 to 13 per cent in 2000-01 (although they are estimated to have increased again, temporarily, to around 16 per cent in 2001-02 — see chapter 3).

Effects on consumers

Notwithstanding the 11 cent per litre levy on drinking milk imposed in July 2000, retail milk prices fell by around 5 per cent in 2000-01 (figure 4.1). In the year before deregulation (1999-2000) and the next year after deregulation (2001-02), milk prices rose by about 6.5 per cent. The ACCC reported that prices for plain milk sold in supermarkets fell 22 cents per litre in the first six months of deregulation. Savings to consumers in the 12 months following deregulation were estimated to exceed \$118 million from supermarket sales alone (ACCC 2001).

Figure 4.1 Nominal retail prices for drinking milk, 1993 to 2002
\$ per litre of standard white milk



Source: ABS (2002c).

That said, retail milk prices actually increased in the ACT and the Northern Territory after deregulation. This is because farmgate prices were not previously regulated in the territories, while the price of raw milk used for UHT milk products had been previously set at a lower level than for other drinking milk products. Consequently, the 11 cents per litre retail milk levy exceeded the reduction in purchase costs for milk at the farmgate (ACCC 2001).

For the sector as a whole, retail prices for dairy products (including products such as cheese and ice cream as well as drinking milk) fell by around 1 per cent in 2000-01. In the year immediately before deregulation, prices increased by 4.6 per cent, and in the next year after deregulation, they increased by 6.7 per cent.

Accordingly, deregulation appears to have caused an initial, one-off reduction in retail prices. Prices now appear to be growing largely in line with their earlier trends (figure 4.1). Price changes are still subject to short-term fluctuations in supply conditions, such as the current drought which is reducing supply. In terms of demand, per capita consumption of drinking milk has remained fairly stable for a number of years, averaging around 100 litres per year. Another one-off fall in prices is likely some time around 2008 when the retail levy is removed.

Effects on producers

Under the previous assistance arrangements, the farmgate price of milk used for drinking was far higher than the farmgate price of the same milk if used in manufacturing. In 1999-2000, the drinking milk price averaged 47 cents per litre, compared to an average per litre price of 21 cents for manufacturing milk (ACCC 2001). As noted earlier, these arrangements created significant disparities in the average farmgate price for milk received by farmers around Australia.

Deregulation has caused a re-balancing of farmgate prices (table 4.1). In 2000-01, the average price for milk received by farmers in New South Wales, Queensland and Western Australia fell by around 20 per cent. There was also a marginal reduction in the average farmgate price in South Australia and Tasmania. However, in Victoria, where most milk is produced, farmgate prices rose by around 13 per cent. Across all states, the average farmgate price for milk remained unchanged at 29 cents per litre in 2000-01. Farmgate prices in all States increased in 2001-02.

Table 4.1 Farmgate milk prices, 1999-2000 to 2001-02

<i>State</i>	<i>Farmgate prices (per litre)</i>			<i>Post deregulation change^a</i>
	1999-00	2000-01	2001-02	%
New South Wales	36.0	29.1	32.5	-19.2
Victoria	26.0	29.3	33.3	12.7
Queensland	39.3	30.6	34.5	-22.1
South Australia	28.0	27.7	31.5	-1.1
Western Australia	36.0	26.6	28.7	-20.3
Tasmania	25.9	25.0	32.7	-3.5
Australia	28.8	29.0	33.0	0.7

^a Post deregulation change reports the percentage change in prices in the year following deregulation, that is, between 1999-00 and 2000-01.

Sources: ACCC (2001) and ADC (2002).

Accordingly, while there has been a long-term decline in farm numbers, in the year following deregulation dairy farmers exited the industry at a higher rate, particularly

in NSW and Queensland. Between 1985 and 1999, the number of dairy farms in Australia declined, on average, by 2.3 per cent per year. In contrast, the number of dairy farms declined by almost 8 per cent in 2000-01 (table 4.2). The main driver of the spike in exits has been the removal of price and production controls and the availability of the DSAP, which has probably brought forward many farmers' decision to exit the industry (ABARE 2002b).¹

Table 4.2 Changes in retail milk prices, farm numbers, herd sizes and production, 1985-2002

Annual percentage change

<i>Years</i>	<i>Retail drinking milk prices</i>	<i>Number of farms</i>	<i>Average herd size</i>	<i>Milk output per cow</i>
1985-1999	5.8	-2.3	1.4	3.2
1999-2000	6.6	-2.0	0.7	3.4
2000-2001	-5.2	-7.9	5.1	-8.0 ^a
2001-2002	6.5	na	na	na

^a Poorer seasonal conditions contributed to the decline in milk production in 2000-01. **na** not available.

Sources: ABS (2002c), ADC (2001).

The increase in exits in the year following deregulation coincided with an increase of 5 per cent in the average herd size (table 4.2), indicating that some of those exiting the industry have sold their stock to other dairy farmers. This should allow the remaining farmers to benefit from 'economies of scale'.

Data on the total number of farmers exiting the industry in 2001-02 are not available, but it is possible that there has been further rationalisation within the industry, driven by the effects of the price changes and declining incomes due to the drought, as well as the ongoing availability of assistance under the various adjustment programs.

¹ In contrast to the popularity of the DSAP, there has been a limited take-up of the Dairy Exit Program (DEP). To be eligible for the DEP, farmers must have less than \$157 500 in assets after the sale of their farm. DEP payments are also reduced to take into account any adjustment assistance already provided under the DSAP. The Commission understands that, in 2001-2002, of the 228 farmers that applied for the DEP, 123 farmers were granted payment. Further, the total level of assistance provided under the DEP is \$5.28 million, with a small number of claims still to be assessed.

4.2 Sugar

Background

Centred mainly in north-east Queensland, the Australian sugar industry has been subject to a number of reforms since the mid 1990s.

Following a National Competition Policy review of the industry, tariffs on imported sugar were removed in July 1997 and domestic price supports were partly dismantled by the Queensland Government. These arrangements had provided significant assistance to domestic canegrowers and sugar millers, at the cost of domestic consumers and food processors. As then measured by the Commission, assistance to the industry fell from \$66 million in 1996-97 to \$13 million the following year.

To help offset the reduction in assistance, the Commonwealth Government introduced a \$14 million Sugar Industry (Research) Assistance Package in July 1998. Two years later, in response to adverse climatic and farming conditions in the industry, the Commonwealth introduced an \$83 million Sugar Industry (Cane Growers) Assistance Package. A condition of the Government's provision of this package was that the industry develop proposals for comprehensive structural reform (Truss 2002a). The Queensland Government also allocated \$10 million for concessional loans for the replanting of sugar cane crops. These developments are described in more detail in *Trade & Assistance Review 1999-2000* (PC 2000).

Recent developments

In February 2002, the Commonwealth Government commissioned an independent assessment of the Australian sugar industry — the Hildebrand report (Hildebrand 2002). The report examined the overall state of the Australian sugar industry, with particular emphasis on its economic, social and environmental drivers. The report, which was delivered to the Government in June 2002, made a number of findings and recommendations, including:

- the sugar industry is largely unprofitable, and farmers' business management skills are variable and often not well-developed;
- government and industry need to continue efforts to gain access to protected European, US and Japanese markets;
- product diversification of both cane and raw sugar must be further encouraged;
- the sugar industry must adopt an 'engage not defend' approach to environmental matters; and

-
- options should be explored to support some cane growers to exit the industry — in the context of achieving more consolidated and viable industry arrangements.

In its response to the report in September 2002, and against a background of continuing climatic and financial difficulties in the industry, the Commonwealth announced a new Sugar Industry Assistance Package. The package is worth up to \$150 million, and is expected to last for five years. The main elements of the package include:

- a Regional Projects Program — \$60 million for regional adjustment, diversification and industry rationalisation;
- a 50 per cent interest subsidy scheme over two years for loans of up to \$50 000 that are taken out for replanting purposes;
- a \$45 000 one-off tax free payment, available from February 2003, for farmers who leave the industry; and
- short term income support for a period of up to 12 months to help stabilise the industry and to assist those in immediate need.

The package will be funded mainly by a levy on domestic sugar sales (including sales of imported sugar and sugar for retail sale, food services and food processing). The levy of 3 cents per kilogram will last for approximately five years, commencing in January 2003. Exports of refined sugar will be exempt from the levy and a rebate will be available for sugar used in manufactured products for export (Truss 2002b).

In addition, the Queensland Government also announced that it will contribute \$30 million to the assistance package (Beattie 2002a). Its contribution entails:

- *Sugar Innovation Fund* — \$10 million to support new management systems and new technologies, increase export-oriented production of value-added sugar products and develop more efficient supply chains;
- *Regional Change Management Program* — \$10 million to assist farm viability and address environmental, water and training issues; and
- *Concessional Loans for Sugar Farm Consolidation* — \$10 million to assist cane growers to expand their operations by purchasing other sugar farms. The loans will be available at concessional interest rates over a period of 20 years, and can be combined with private finance.

In addition, the Commonwealth and Queensland Governments signed a Memorandum of Understanding to help facilitate reform in the sugar industry. The Memorandum addresses a number of issues, including ‘the repeal of elements of the *Queensland Sugar Act 1999* which adversely impact on the industry’s efficiency and limit its flexibility to foster new industries and alternative products to maximise

returns to growers' (Truss 2002b). In commenting on this aspect, the Commonwealth Government stated:

Although the Queensland Sugar Act is Queensland legislation and can only be amended by the Queensland Government, the Federal Government supports the removal of all impediments to reform, including any embedded in the Act (Truss 2002c).

In September 2002, the Commonwealth Government also announced that it would provide a subsidy for the production of ethanol which, although mainly derived from wheat at present, can be derived from sugar. Associated with this, it agreed to provide assistance to the Mossman sugar mill for the construction of an ethanol production facility (see section 4.8).

4.3 Citrus growing and processing

Over the last decade, the citrus industry has been undergoing significant structural change. The industry has been required to adapt to shifts in consumer tastes, along with increased opportunities to export fresh fruit and substantial growth in imported Frozen Concentrate Orange Juice (FCOJ) from Brazil. This growth in FCOJ imports has been driven by reductions in tariffs from 35 per cent in 1989 to 5 per cent currently.

In September 2001, the Commonwealth Government asked the Productivity Commission to inquire and report on the competitive situation and outlook for the citrus growing and processing industry. The Government also sought advice on whether any measures were necessary to enhance the industry's competitiveness, and whether a formal 'safeguards'² investigation was warranted.

In its April 2002 report, the Commission considered that additional industry-specific assistance was not justified and that a safeguards investigation was not warranted. The Commission argued that much of the citrus industry was already adapting successfully to change, and that such assistance would not efficiently or equitably target low-income citrus growers. The Commission also found that the existing export controls may be impeding the development of overseas markets for Australian citrus products.

In responding to the report in November 2002, the Commonwealth Government noted that some sectors in the industry are facing difficult times and offered to

² Article XIX of the General Agreement on Tariffs and Trade (1994) allows for safeguard action against imports of particular products which are deemed to be causing, or threatening to cause, serious injury to an industry. Safeguard action is intended to provide temporary assistance for industries to adjust to increased competition from imports.

extend the joint Commonwealth/NSW Murrumbidgee Irrigation Area (MIA) PowerPACT program.³ It also announced the continuation of export control regulations for the industry, stating:

The growing industry has demonstrated a need for export control powers to continue in its high value markets and that the Government is moving to continue those powers beyond February 2003 (Truss 2002e).

4.4 The automotive industry

Background

Although assistance to the motor vehicles and parts (MVP) industry has declined significantly since the mid-1980s, MVP remains one of the most highly assisted industries in the manufacturing sector.⁴ Its assistance derives largely from tariffs and tariff concession schemes, such as ACIS and TRADEX:

- Tariffs on imported new passenger motor vehicles (other than 4WDs) have been fixed at 15 per cent since 2000, but are scheduled to fall to 10 per cent in 2005.
- Under ACIS, which commenced in January 2001, MVP producers receive transferable credits based on their domestic production which can be used to reduce the customs duty payable on eligible imports. Total import duty forgone under the scheme was capped at \$2 billion over the five year period for which the scheme was initially to run.

In addition to tariffs and tariff concession schemes, the MVP industry also receives assistance from other sources including government procurement programs, the luxury car tax that applies mainly to imported vehicles and prohibitive tariffs on imports of second hand vehicles.

While the local vehicle market has been growing steadily over the last decade, domestic producer's market share (in volume terms) has fallen from 80 per cent in the late 1980s to 40 per cent today, largely in parallel with reductions in import

³ The PowerPACT program forms part of the Rural Partnership Program. To receive assistance from the latter program, citrus growers are required to develop a business plan. The MIA PowerPACT program provides subsidies of up to 90 per cent of the associated costs of a business plan, up to a maximum of \$2700.

⁴ As discussed in chapter 3, the effective rate of combined assistance to the MVP sector in 2001-02 was 11.2 per cent, or more than double the manufacturing average. As part of its recent inquiry in the automotive industry, the Commission estimated that the effective rates of assistance for a typical motor vehicle assembler and component producer in 2000 exceeded 30 per cent. The differences between these estimates principally reflected the broader coverage of the MVP industry which is used for the estimates published in *Trade & Assistance Review*.

protection. At the same time, exports have grown significantly, now accounting for more than 30 per cent of production, and production levels have been relatively stable during the 1990s. The MVP industry, centred in Melbourne and Adelaide, now accounts for around 0.6 per cent of value added and employment in the economy.

Recent developments

Over the last two years, several measures have been introduced to assist individual MVP projects or the automotive industry in general:

- In December 2000, the Victorian Government provided an assistance package to Holden to build a new engine plant in Melbourne. The plant has also received \$12 million in funding under the Commonwealth's Strategic Investment Incentive Program.
- In March 2001, the South Australian Government provided an interest-free loan to the value of \$20 million to Mitsubishi Motors. The company also received a grant of \$500 000 from the Commonwealth to assist the company to develop feasibility plans for future production in Australia.
- In May 2001, the Commonwealth Government announced a measure in the budget to enable registered businesses to claim full GST input tax credits on fleet vehicles, thereby reducing the cost of motor vehicles to businesses by around 9 per cent.
- In July 2001, the Commonwealth tightened the eligibility requirements for used vehicle imports under the Low Volume Scheme.
- In November 2001, the Victorian Government provided an assistance package, largely in the form of payroll tax relief, to the Ford Motor Company in relation to planned production of a new four-wheel-drive vehicle.

These developments were discussed in more detail in last year's *Review* (PC 2001).

More recently, in April 2002 the Commonwealth Government announced a \$35 million assistance package for Mitsubishi Motors Corporation. The assistance will be available from 2004-05 and is contingent on Mitsubishi meeting specific commitments on the timing and scale of its investments. In particular, the assistance is conditional on the creation of an additional 900 direct jobs in Mitsubishi's Adelaide manufacturing operations and the establishment of a global R&D centre in South Australia with on-going employment of around 300 people. The South Australian Government is to provide an additional \$50 million in cash and 'in kind' assistance to Mitsubishi to help facilitate the necessary investment (Howard 2002a).

Post-2005 assistance arrangements

In March 2001, the Commonwealth Government requested the Productivity Commission to undertake an inquiry into post-2005 assistance options for the automotive industry.

In its report, the Commission (PC 2002a) indicated that a tariff of 5 per cent should be a target for the industry. It favoured a one-off reduction to this rate in 2010, facilitated by continuation of the ACIS after 2005. However, the Commission's preferred option was that the capped component of assistance available under the ACIS end in 2010.

The Commonwealth Government announced a new assistance package for the automotive industry in mid-December 2002 (as this report was being finalised). Under the package, after their scheduled reduction in 2005, automotive tariffs are to remain at 10 per cent until January 2010, when they will be reduced to 5 per cent and remain at that level until (at least) 2015. The package includes an extension of the ACIS from January 2006 to December 2015, with assistance under the new scheme to comprise:

- uncapped duty credits estimated at \$1.2 billion over the ten years;
- capped assistance of \$2 billion, to be spread evenly over the period 2006 to 2010; and
- an additional \$1 billion in capped assistance to be provided during the period 2011-15, subject to phasing arrangements to progressively reduce the assistance over the period.

The Government also announced that it would establish, from the vehicle producers' portion of the ACIS budget, a \$150 million R&D fund to operate over the period 2006-08 to 'support key technologies put forward by vehicle producers that warrant specific encouragement' (Costello 2002b).

In announcing the new arrangements, the Government stated:

The new look package goes far beyond what was recommended by the Productivity Commission Review, adding an extra 50% or \$1.4 billion over the 10 year continuation of the scheme. The package is also aimed squarely at innovation, it has a greater emphasis on R&D, rather than production subsidies...

Similar to its predecessor, the post-2005 Automotive Competitiveness and Investment Scheme will be a transitional scheme that will encourage competitive investments by firms in the automotive industry in order to achieve sustainable growth (Macfarlane 2002c).

The Government also indicated that it will ask the Commission to undertake a further inquiry in 2008 to determine whether changes are warranted to the legislated tariff reductions in view of conditions in the international trade environment.

4.5 Textiles, clothing and footwear

The textiles, clothing and footwear (TCF) industry has the highest level of tariff protection among all manufacturing industries, even though its assistance from tariffs (and quotas) has declined significantly since the mid-1980s. All TCF tariffs (apart from those already at rates of 5 per cent or less) were reduced to rates of 25 per cent, 15 per cent or 10 per cent in July 2000. TCF tariffs are to remain at these levels until January 2005, when tariffs on apparel and certain finished textiles, footwear and fabrics have been legislated to decline to 17.5, 10 and 7.5 per cent, respectively.

A new package of budgetary assistance measures for the TCF industry — the main component of which is the TCF Strategic Investment Program (SIP) — commenced in July 2000 and is scheduled to run until 2005. The SIP is projected to cost \$700 million over the five years. The main activities eligible for SIP funding are investment in new TCF plant and equipment, R&D and product development. Total benefits under the scheme are subject to a limit of 5 per cent of sales of eligible products in the previous year. The SIP also provides regional adjustment assistance in the form of payments to assist the purchase of ‘state of the art’ second hand plant and equipment where existing firms have consolidated or merged.

The Government made several changes to the operation of the SIP during 2001. Among other things, the changes expanded the coverage of the SIP to ‘...provide earlier and more flexible access to grant funding’ for eligible firms. Details of the changes were reported in last year’s *Review* (PC 2001).

In 2001-02, TCF attracted combined tariff and budgetary assistance of around \$800 million. Its effective rate of combined assistance was around 25 per cent — several times the average of the manufacturing sector (chapter 3).

In November 2002, the Commonwealth Government asked the Productivity Commission to conduct a public inquiry on a range of related matters that will affect the sector’s long term viability, and policy options for post-2005 assistance arrangements for the TCF sector. The Commission is required to finalise its report to Government by 3 July 2003.

4.6 Tourism

Background

The tourism ‘industry’, as defined by the ABS, comprises parts of several other industries, such as *Accommodation, cafes & restaurants* and *Transport services*. It reflects expenditure by both domestic travellers and visitors from abroad. So defined, tourism is an important part of the Australian economy, accounting for 4.7 per cent of GDP in 2000-01.

Tourism in Australia has grown significantly over recent years, and the Tourism Forecasting Council expects the current annual number of international visitors to increase by two-thirds by 2012 (TFC 2002).

However, tourism faces significant challenges at present, due largely to recent terrorist attacks, the global downturn in air travel, the collapse of Ansett in late 2001, and rising public liability insurance premiums.

Early in 2002, the Commonwealth Government announced that it would develop a strategy for the tourism industry with input from a wide range of government and industry stakeholders. This medium to long-term strategy is due for release in 2003.

In the immediate aftermath of September 11 and Ansett’s demise the next day, a Tourism Industry Working Group was established in late September 2001 to report on the effects of these events on the tourism industry. The group identified three areas that it considered required attention to ensure that the industry remained viable over the short to medium term:

- the maintenance of consumer confidence and demand;
- employment and cashflow concerns; and
- the restoration of domestic air capacity and discounted airfares (Burnes 2001).

The working group recommended several initiatives to address these matters, including additional funding for the Australian Tourist Commission to promote Australia as a ‘safe haven’ and direct consumer initiatives to promote domestic tourism, particularly to regional Australia. It also recommended initiatives to address the immediate cashflow problems facing the industry, such as deferral of the December 2001 company tax payment and the provision of concessional business loans to tourist operators.

Assistance measures⁵

In response to the working group's report, the Commonwealth Government announced the expansion of a number of existing tourism programs, including:

- *Australian Tourist Commission* — an additional \$24 million will be provided over the four years to 2005-06 to refocus the promotion of Australia as a 'safe haven';
- the *Regional Tourism Program (RTP)* — an additional \$8 million has been allocated to 2005-06; and
- the *See Australia* campaign — an additional \$8 million will be provided to 2005-06 to foster tactical marketing and domestic tourism in regional areas.

A number of new assistance programs, including two specifically related to the collapse of Ansett, were introduced to maintain the short-term viability of the industry:

- *Travel Compensation Fund* — \$5 million was allocated to the Fund in 2001-02. The Fund compensates consumers who had purchased a holiday package, but who had not taken the holiday and lost the value of that package because of the Ansett collapse. The Commonwealth Government offered the assistance to cover the expected increase in claims on the Fund. This assistance was matched by State governments.
- *Ansett Holiday Package Relief Scheme* — \$15 million was allocated in 2001-02 to assist small businesses affected by the Ansett collapse. Small to medium sized

⁵ The Commission has not previously published estimates of assistance to tourism in *Trade & Assistance Review* or, until recently, elsewhere. However, in its current study of the *Industries in the Great Barrier Reef Catchment and Measures to Address Declining Water Quality* (PC 2002c), the Commission developed preliminary estimates for the industry. The estimates incorporate funding for the Australian Tourist Commission, the Regional Tourist Program, the Domestic Tourist Campaign and the Regional On-line Tourism Program. The estimates also include a proportion of the net tariff and budgetary assistance received by other tourism-related industries, as defined by the ABS. While the estimates suggest that net assistance to tourism may be negligible, the Commission emphasised, among other things, that it has yet to investigate all measures that may benefit or penalise tourism. Among other things, the Commission's estimates did not include State and Territory assistance to tourism — the estimates in appendices C to J suggest that the sector receives more dedicated assistance from State and Territory Governments (around \$300 million in 2001-02) than from the Commonwealth (around \$120 million that year). The Commission intends to undertake a more detailed study of assistance to tourism in the year ahead.

businesses which had provided a service that was part of an Ansett Holidays Package and had not received payment were eligible for funding.⁶

- *Holiday Incentive Program* — \$5 million was allocated in 2001-02 to encourage Australians to take a domestic holiday. The program offered a rebate of \$150 for eligible domestic travellers and was administered by AusIndustry through licensed travel agents.

Government measures to assist the airline industry itself, in the aftermath of the Ansett collapse, will also have affected tourism. On the one hand, it will have benefited from the government assistance provided to keep Ansett and its regional affiliates flying after its initial collapse. On the other hand, the ‘Ansett ticket levy’ imposed on domestic flights increased ticket prices and may have reduced air travel by tourists within Australia (see section 4.7 below).

The Government also announced several new initiatives in 2001-02 to enhance tourism infrastructure in regional areas:

- *Cairns Foreshore Promenade Development* — \$9 million is to be allocated over 4 years to provide a foreshore precinct, including an environmental centre, a heritage centre and a ‘Pacific Rim forum’;
- *Stockman’s Hall of Fame* — \$4 million provided to 2002-03;
- *Fishing Hall of Fame* — \$3 million allocated to 2004-05;
- *Tasmanian Regional Tourism Infrastructure Package* — \$1.4 million allocated to 2004-05 to add to regional Tasmania’s range of tourist attractions; and
- *Back of Bourke Exhibition* — \$1 million allocated to 2002-03.

4.7 Airlines

Background

Prior to 1990, Australia maintained a highly regulated airline industry. There were two domestic carriers — the government-owned Australian Airlines and the privately-owned Ansett. Qantas, the one designated international carrier, was also owned by the Government, as were the major airports. Qantas served a limited number of domestic trunk routes as part of its international services.

⁶ The Commission understand that, in the event, only \$3.2 million in assistance was required by this target group, and the Government subsequently allocated \$1 million of the under-subscribed funding for tourism initiatives in regions affected by the NSW bushfires

In October 1990, the Government deregulated the domestic aviation market allowing the incumbents to determine capacity, fare levels and route structures. New airlines were permitted to enter the domestic market, although foreign ownership restrictions were retained and Qantas was restricted from expanding further into the domestic market.

Later in the same year, Compass Airlines entered the domestic market but the venture failed within 12 months. A second venture — Compass II — failed 18 months later. The Trade Practices Commission concluded that, aside from the competitive responses of the two incumbents, the most significant factor contributing to the failure of the Compass ventures was shortcomings in the companies' entry strategy and management (Lazar 2001).⁷

By the end of the 1990s, the aviation landscape had changed considerably:

- Qantas was privatised in 1993 and acquired Australian Airlines in 1994.
- The Australian Government removed Qantas's rights to be the sole international operator from Australia in 1992 and, subsequently, Ansett was designated Australia's second carrier for service on international routes.
- In June 1999, after Government changes to Foreign Investment Review Board (FIRB) rules that allowed foreign-owned airlines to operate domestic-only air services, Air New Zealand acquired 100 per cent of Ansett.
- The change in the FIRB rules also allowed Virgin Blue to enter the domestic market and, in 2000, both Virgin Blue and Impulse Airlines (a regional operator) announced plans to begin operations with modern aircraft and lower cost bases.
- The privatisation of the national airports made it easier for these new entrants to gain access to terminal facilities and gates. In addition, the internet became a viable distribution channel and an attractive, lower cost alternative to travel agencies.
- Average annual growth in scheduled passenger movements for domestic travel in Australia between 1990-91 and 2000-01 was 8.2 per cent. The availability of discounted fares and sophisticated booking systems contributed to this growth in passenger movements (DOTRS 2002).

Although Impulse Airlines has been subsumed by Qantas, Virgin Blue has been able to make significant inroads in the market, due in part to cost advantages over its more established rivals.

⁷ Other reasons noted by the Trade Practices Commission were the impact of recession in Australia, excess capacity in the Australian airline market, and difficulties in gaining terminal space and gates (Lazar 2001).

Against a background of intense competition, in April 2001 Ansett's fleet of Boeing 767 aircraft was grounded by the Civil Aviation Safety Authority because of non-compliance with certain safety directives. This placed further pressure on Ansett's patronage and financial viability and, on 12 September, the airline was placed under voluntary administration, with its flights scaled back and subsequently terminated.

Assistance measures

Australian governments have provided a range of assistance to Australian airlines in recent years.

In 1999, the Queensland Government provided largely undisclosed incentives to entice Virgin Blue to locate its headquarters in Brisbane, including tax concessions worth several million dollars. More recently, the Government has assisted Virgin Airlines to build an aircraft maintenance and training facility in Brisbane (Beattie 2002b). Similarly, though on a smaller scale, the ACT Government provided \$8 million to attract Impulse Airlines to base its operations in Canberra (ACT Government 2000).

Following Ansett's collapse, the Commonwealth Government imposed an Air Passenger Ticket Levy (the 'Ansett ticket levy') on all tickets for scheduled passenger flights originating in Australia from 1 October 2001. The levy is to fund a government guarantee to pay Ansett employee entitlements, pending attempts to recover entitlements from Air New Zealand and/or the proceeds of liquidation of Ansett assets.⁸ The Commonwealth also provided a \$195 million loan advance to cover voluntary redundancies, to be recouped at a later date from funds owed to Ansett by Air New Zealand.

Commonwealth and State governments also subsidised Ansett's regional subsidiaries under the Rapid Route Recovery Scheme. The scheme was designed to provide short-term transitional support to restore air services to regional communities affected by the Ansett collapse. Funds were provided by way of grants or loans, and a total of 18 air service operators have been assisted under the scheme. In 2001-02, \$18 million was expended, with a further \$5 million committed for 2002-03.

Major recipients included:

- *Skywest* — a \$2.5 million loan;
- *Hazelton* — \$3 million; and
- *Kendall Airlines* — \$3.5 million.

⁸ To avoid further impeding small, regional airlines, the \$10 levy was exempted for planes with fewer than 16 seats.

Other assistance measures included a Commonwealth agreement to underwrite tickets sold on Ansett Mark II, up to the value of \$25 million, until 31 January 2001. The Commonwealth also agreed to underwrite the resumption of Ansett services to Adelaide and Hobart at an estimated cost of \$150 000 per week.

More generally, all airlines have benefited from recent changes in accelerated depreciation provisions. The Commonwealth has legislated statutory caps on the 'effective life' of aircraft which has increased the assistance effect of the provisions (see section 5.1). The general measures to enhance tourism (as discussed in section 4.6) are also expected to benefit the airline industry.

4.8 Ethanol

Ethanol is an alcohol based fuel produced primarily from the fermentation of sugar derived from grain starches or sugar crops. Domestic production of ethanol is currently around 50 million litres per year. Ethanol can be blended with petrol and used as fuel in motor vehicles. Ethanol used in petrol has traditionally not been subject to the petrol fuel excise (38.143 cents per litre).

In recent years, the Commonwealth has provided assistance from the Greenhouse Gas Abatement (GGA) program to a number of ethanol-based projects. For example, in April 2001, the BP oil company was granted funding of \$8.8 million to trial ethanol-blended fuel and to provide infrastructure for the receipt, storage, blending and distribution of ethanol, while the Mossman sugar mill was granted \$7.4 million for an ethanol production facility.

In May 2002, the Commonwealth commissioned a two-year study to address market barriers to the increased use of biofuels in transport. The study is to develop a broad strategy to increase biofuel production to 350 million litres per annum by 2010. It will also conduct vehicle testing and a technical assessment of a 20 per cent ethanol-blended fuel in motor vehicles. This testing is partly in response to concerns raised by some vehicle manufacturers and other stakeholders that higher blends of ethanol may increase the risk of operational and mechanical problems (Truss and Kemp 2002).⁹

In September 2002, the Commonwealth announced that it would provide a production subsidy for ethanol produced in Australia. The new arrangements involve extending the excise on petrol to both domestically-produced and imported

⁹ Preliminary findings, released in December 2002, indicate that vehicle operability may deteriorate with 20 per cent ethanol-blends, although the impact on engine and fuel system durability is at present unclear (EA 2002).

ethanol. The excise paid by domestic producers of ethanol is then fully rebated in the form of the production subsidy, which mean that only imports bear the cost of the excise. The subsidy, which took effect in September 2002, is expected to last for about 12 months and cost around \$20 million.

Longer term issues regarding the use of biofuels in Australia, such as mandating a minimum ethanol content in petrol, are currently being considered by the Government. The Government has noted that:

This short-term production subsidy will provide a targeted means of maintaining the use of biofuels in transport in Australia, while longer term arrangements are considered by the government regarding the future of the emerging renewable energy industry (Howard 2002e).

5 Recent developments in assistance to activities and firms

In addition to providing assistance for specific industries, governments provide assistance to particular types of economic activities. ‘Activities’ are generic economic practices that arise across many industries, such as undertaking research and development, exporting and, as at present, coping with the effects of drought. In aggregate, these forms of assistance can entail substantial expenditures.

Governments also provide assistance for particular firms. Such assistance is generally provided in an ad hoc way, normally in relation to a specific investment that a business may be considering. The rate of assistance to particular projects can be very high, but often the actual amount of assistance provided is not disclosed by governments.

In this chapter, the Commission reports on developments in activity- and firm-based assistance, both at the Commonwealth and State level.

5.1 Accelerated depreciation provisions

In Australia, accelerated depreciation provisions have existed in one form or another for many years. Accelerated depreciation provisions provide taxation and cash flow benefits to eligible firms by bringing forward tax deductions. The provisions are mainly of benefit to capital intensive industries, such as mining and manufacturing. They provide little assistance to service industries, such as finance, tourism or retailing.

Following the (Ralph) Business Review of Taxation in 1999, the Government decided to move to a depreciation system based on the ‘effective life’ of the asset. It removed accelerated depreciation provisions as part of a trade-off in which it also reduced the rate of company tax. In addition, the Government foreshadowed a reassessment of the depreciation schedule by the Australian Taxation Office (ATO) to take into account the effect of relevant market and technology changes on the effective life of assets (Costello 1999).

Following its review of the existing depreciation provisions, the ATO proposed to significantly extend the effective life for several types of assets. These assets are mainly used in industries such as aviation, gas transmission and distribution, and oil and gas production.

In May 2002, the Government announced its decision to introduce statutory caps on the ATO determinations of the effective lives of aeroplanes, and of pipeline, oil and gas assets used in major resource and energy projects. The effect of the statutory caps is to provide a shorter effective life for the ‘capped’ assets than that implied by the ATO recommendations (table 5.1).

The Government noted that the purpose of the caps is to address ‘national interest’ considerations:

The establishment of statutory effective life caps aims to address the broader national interest where large increases in ‘safeharbour’ effective lives resulting from the review of the existing effective life determination would have a significant effect on investment in industries with national economic significance (Costello 2002a, 77).

The statutory caps apply to investments only in particular industries. As such, they discriminate against other industries (such as electricity) which compete in output markets and/or for capital resources with industries targeted by the measure.

Table 5.1 Assets subject to statutory caps on effective life

<i>Asset class</i>	<i>Current effective life (years)</i>	<i>ATO proposed new effective life (years)</i>	<i>Statutory cap on effective life (years)</i>
Aeroplanes & helicopters			
– General use	8	20	10
– Used for agricultural spraying & dusting	4	10	8
Gas transmission & distribution assets	20	5-50	20
Oil & gas production assets ^a	10-20	5-30	15
Offshore oil or gas platforms	20	5-30	15
Assets ^a used to manufacture condensate, crude oil, domestic gas, LNG or LPG, other than at an oil refinery	13.3	10-30	15

^a Excludes electricity generation assets.

Source: Coonan (2002).

The Regulation Impact Statement (RIS) accompanying the *Taxation Laws Amendment Bill (No. 4) 2002* notes that the main impact of the measure is to provide significant benefits to the industries concerned. The total revenue forgone is estimated at \$1.9 billion over 10 years. Additional information provided in the

Senate Economics Legislation Committee (2002) indicates that the majority of this revenue forgone will accrue to airlines.

However, as the primary effect of the statutory caps is to defer tax liabilities, this measure is not equivalent to the *assistance* provided to the industries that benefit from the caps. When the higher tax paid in later years is taken into account, the actual assistance is the equivalent of an interest-free loan and, as such, is only a fraction of the \$1.9 billion estimates of revenue foregone.

5.2 Export assistance

Austrade programs

The Export Market Development Grants (EMDG) scheme is the principal mechanism to assist Australian exporters. The scheme has an annual budget of \$150 million to fund eligible export marketing expenses for small and medium-sized exporters.

The scheme is administered by Austrade, which also undertakes export promotion activities, such as providing information and advice, and administers other export programs, such as TradeStart and Export Access. In 2001-02, total funding for Austrade's export promotion activities, the EMDG scheme and related export programs was around \$300 million.

The Commission reported recent developments relating to the EMDG scheme in *Trade & Assistance Review 1999-2000* (PC 2000). Following a review of the EMDG scheme in 2000, the Government announced that it would retain the scheme for another five years.

In the 2002-03 Budget, the Government announced that the minimum grant payment under the EMDG scheme will be raised from \$2500 to \$5000 for those exporters incurring marketing expenses between \$15 000 and \$25 000 per annum. The change is estimated to cost an additional \$2 million over four years to 2005-06.

The new policy will also involve an amalgamation of the TradeStart and Export Access programs, and an expansion of the export advisory office network of these programs to rural and regional areas. The present arrangement under which the programs are jointly funded by the Commonwealth and State governments, together with industry associations and regional development organisations, will be maintained.

5.3 Small and medium sized enterprises

Small Business Assistance Program

In the 2002-03 budget, the Government announced funding of \$60 million (over 4 years) for the Small Business Assistance Program. This funding has two components.

- \$24 million will be used to provide government advisers to facilitate small business's access to Commonwealth assistance programs.
- \$36 million will be used to fund Small Business Incubators to provide subsidised premises and advice to newly formed companies, and to fund the skills development component of the Small Business Enterprise Culture Program.

Other programs

At present, the Government funds ISONET — a company which coordinates the procurement activities of the Government's Industrial Supplies Office network. ISONET also administers the Supplier Access to Major Projects (SAMP) Program, which is designed to encourage small business to participate in major private and public sector projects. The 2002-03 budget allocated additional funding of \$3.1 million to ISONET and the SAMP program.

5.4 Drought relief

Droughts, like floods, are relatively frequent occurrences in Australia. During 2002, all Australian states, other than Tasmania, have recorded their driest period since the early 1980's. Largely as a result of these conditions, the Australian Bureau of Agricultural and Resource Economics (ABARE) has forecast that the net value of Australian farm income is expected to fall by around 63 per cent to \$3.7 billion in 2002-03 (ABARE 2002a).

During droughts, the farming sector is eligible for State and Commonwealth assistance. The Exceptional Circumstances (EC) program is one of the main Commonwealth programs providing assistance to drought-affected farmers. Subject to an area receiving an exceptional circumstances declaration, the EC program provides assistance in the form of:

- family income support; and
- business support.

Family income support, or Exceptional Circumstances Relief Payments (ECRP), are paid fortnightly at a rate equivalent to the Newstart Allowance. The ECRP are subject to the same income and assets tests applying to Newstart Allowance, although farm assets are exempt from the assets test and proceeds from the forced sale of livestock due to drought are excluded from the income test. The payments are available for a period of up to two years while the exceptional circumstances declaration is in force.

Business support is provided in the form of interest rate subsidies up to a maximum of 50 per cent of interest payments. The arrangements are administered by State and Territory Rural Adjustment Authorities. Business support is funded jointly by the Commonwealth (90 per cent) and State and Territory governments (10 per cent). Like the family support payments, the interest rate subsidies are also available for a period of up to two years.

The Commonwealth has allocated \$360 million for the EC program in 2002-03 and 2003-04 (Truss 2002f). Funding from the program, however, is uncapped and may increase should other areas be declared to be facing exceptional circumstances. The Commonwealth is currently negotiating with the States for reforms to the EC program (Truss 2002d).

As part of the reforms to the EC program, in September 2002, the Commonwealth announced it would provide interim income support payments for drought-affected farmers. These measures are designed to make assistance from the program more readily available. The payments and eligibility criteria are similar to the ECRP and Newstart allowance.

The income support payments will be available for a period of six months from the date on which the Minister for Agriculture, Fisheries and Forestry announces that an application for exceptional circumstance for an area has a *prima-facie* case. Should exceptional circumstances be declared during this period, the income support payments will cease and recipients can apply for the ECRP.

In November 2002, the Government announced a number of additional measures to assist drought-affected farming communities (Howard 2002g). These include:

- earlier access to Farm Management Deposits (FMD) for farmers in an EC-declared area — the normal waiting period for access to the scheme is 12 months;
- an additional \$2 million in funding for personal counselling services in drought-affected areas;

-
- a re-allocation of \$10 million in funding from the Natural Heritage Trust to target works to protect the land, water, vegetation and biodiversity resource base from the effects of drought, and to assist recovery;
 - a \$1 million pest management grant to assist farmers and communities to humanly deal with pest animals to reduce the total grazing pressure on drought-affected vegetation; and
 - \$1 million in emergency funding for the Country Women's Association to assist it in helping and supporting farmers.

In December 2002, the Government announced that it would provide an additional one-off drought relief package of \$368 million over three years (Howard 2002h). The package includes:

- interim income support for a period of six months for eligible farmers in areas suffering a one-in-twenty year rainfall deficiency over the nine months from March 2002 to November 2002. The eligibility requirements for these payments are similar to those outlined above;
- an interest rate subsidy on new and additional commercial loans up to \$100 000 for stock support and drought recovery for eligible farmers in areas suffering a one-in-twenty year rainfall deficiency. The funding is also available to eligible farmers already receiving interim income support or exceptional circumstances support, and is available for up to two years;
- an interest rate subsidy on existing or new commercial loans up to \$100 000 for eligible small businesses in EC declared areas. The program is available for up to two years;
- an extension of the Work for the Dole scheme, Drought Force, to allow the unemployed in drought-hit rural and regional areas to work on drought-affected properties; and
- improvements to the Incentive for Rural and Regional Skills Shortages Program to assist drought-affected rural employers to retain apprentices and trainees.

Other Commonwealth programs, while not being specifically designed to alleviate problems associated with drought, can also provide assistance to drought affected farmers. These programs include the Australia Advancing Agriculture program, which embodies the Farm Management Deposits Scheme, and tax relief programs such as income tax averaging provisions. Funding for these two programs was around \$105 million in 2001-02.

In addition to this Commonwealth assistance, State and Territory governments have provided assistance in response to recent drought conditions.

In July 2002, the NSW Government announced a number of assistance measures including a transport subsidy scheme, deferment of interest payments on loans from the NSW Rural Assistance Authority, and an expansion of the special conservation scheme.

The Queensland Government has a number of similar arrangements in place including freight subsidy assistance, electricity tariff relief, the deferment of interest payments on loans from the Queensland Rural Assistance Authority and assistance for financial counselling.

In October 2002, the Victorian, Western Australian and South Australian governments announced funding packages for drought assistance of \$27.7 million, \$6.8 million and \$5 million, respectively. The Victorian package comprises cash grants of up to \$20 000 to eligible farmers. The grants are open ended, subject to appropriate business management procedures being in place (Bracks 2002). The Western Australian package includes direct assistance grants of up to \$6000 per eligible farm business, \$1.5 million in additional funding for the Farm Water Grants Scheme and an extra \$300 000 to extend rural counselling services (Gallop 2002b). The South Australian package includes cash grants of up to \$10 000 for assistance in reseeded crops, restocking, and for domestic water supplies, an additional \$300 000 for more rural counselling support, \$150 000 for grants for rural community groups and \$1 million in additional funding for the FarmBis program (Rann 2002).

5.5 Commonwealth investment attraction and firm-specific assistance

As well as providing broad-based assistance for industries and activities, the Commonwealth Government also assists specific projects and firms. This assistance is generally provided on an ad hoc basis and is often aimed at attracting foreign multinationals to locate facilities locally. A number of dedicated agencies are involved in investment attraction and promotion, including the provision of firm-specific assistance:

- Invest Australia — which has an annual budget of \$11 million to promote investment opportunities in Australia, provide market information and advice on establishment costs, connect investors to government contracts, and provide grants for feasibility studies.
- Austrade — which spends about \$8 million annually on investment promotion activities, in partnership with Invest Australia;

-
- The National Office for the Information Economy — which has annual funding of about \$0.5 million to facilitate and attract investment in information technology industries; and
 - Axiss Australia — which is a division of the Commonwealth Treasury that has an annual budget of \$3.8 million to promote Australia’s advantages as a global financial centre.

Strategic Investment Incentive Program

The main Commonwealth investment attraction mechanism is the Strategic Investment Incentive Program (SIIP) which provides financial assistance to particular firms and projects (see below). Invest Australia, the key Commonwealth investment agency, also undertakes investment promotion and attraction activities, and provides a ‘Major Project Facilitation’ service to fast track large investment projects through government approval processes.

From its inception in 1998 until June 2002, the SIIP has offered investment incentives totalling \$663.8 million to particular projects (table 5.3).

In addition to the assistance estimates provided in table 5.3, the Government has noted that it also provided assistance via reductions in crude oil excise rates, following recommendations of the Strategic Investment Coordinator. Details of these excise concessions are not disclosed, but the total excise revenue forgone was estimated at \$56 million as at 31 July 2002. The Commission is unable to ascertain which projects have received assistance under these exemptions.

The Commission reported the details of the first six investment incentives in last year’s *Review* (PC 2001). Assistance to Rio Tinto’s HIs melt project and Methanex’s methanol plant are discussed below.

HIs melt

In April 2002, the Commonwealth Government announced an investment incentive offer of \$125 million to Rio Tinto for its HIs melt project — a proposed \$1.2 billion iron ore processing plant to be located in Kwinana, Western Australia (Macfarlane 2002a).

In addition to Commonwealth assistance, the Western Australian Government is spending \$30 million for acquisition of land and port facilities in Kwinana to assist the HIs melt project (Gallop 2002a).

The Commonwealth Government noted that Rio Tinto had considered the United States as an alternative location for building the HIs melt plant and the investment incentive was to induce the commercialisation of the iron ore processing technology in Australia rather than overseas (Macfarlane 2002a).

Table 5.3 SIIP assistance
\$ million

<i>Project assisted</i>	<i>Incentive Offer</i>	<i>Form of assistance</i>	<i>Assistance provided to July 2002</i>
Visy Pulp and Paper Mill	36.1	Grant and other programs	29.9
Syntroleum	70.0	Loan and licence purchase	15.0
IBM Asia Pacific e-Business & Innovation Centre	3.2	Grant	2.4
Holden Aluminium Engine Plant	12.5	Grant for R&D and training	8.5
Asia Pacific Space Centre	100.0	Grant and subsidised infrastructure	1.5
Comalco Alumina Refinery	137.0	Loan	..
Hismelt Direct Iron Reduction Plant	125.0	Grant	..
Methanex Syngas and Methanol Plant	85.0	Grant	..

.. Nil.

Source: Howard (2002d).

The HIs melt technology is intended to allow the production of iron and steel using cheaper and lower quality raw materials. It is also expected to generate some environmental improvements, via the potential to reduce greenhouse gas emissions and to increase the recycling of wastes from steel plants.

The HIs melt technology is also expected to generate opportunities for export and market development with the potential for adoption of the technology in China and by other steel makers (Macfarlane 2002a).

The investment incentive offer includes a requirement that the intellectual property of the Hismelt technology remain with an Australian incorporated entity and the licence fees of the Hismelt technology be repatriated to the Australian entity (DITR 2002a).

Construction of the project is scheduled to commence late in 2002. The plant is expected to start operation late in 2004.

Methanex

Methanol is a liquid petrochemical used in the production of several manufacturing products (such as silicone and laminated wood products) and clean burning gasoline. Methanol production involves processing of synthesis gas, which is its highest cost component.

Methanex, a Canadian company and the world's largest supplier of methanol, is planning to build a methanol production facility on the Burrup Peninsula in Western Australia. Methanex had earlier planned to build the facility near Darwin in the Northern Territory. However, uncertainty over natural gas supply from major gas fields in the Timor Sea¹ was reported to have caused the company to switch to the Western Australian location (AFR 2001).

In the May 2002 budget, the Commonwealth Government announced that it would provide an investment incentive of \$85 million to the Methanex Corporation for the development of the methanol plant. In providing the assistance, the Government commented that:

The Methanex syngas and methanol project will bring forward public and private sector infrastructure investment in the Pilbara. ... The Methanex syngas and methanol project will provide direct employment for 1000 people during the construction period and provide 150 full-time positions during operation²... (Anderson and Tuckey 2002).

In addition to the Commonwealth incentive, the Western Australian Government is providing assistance of \$136 million to the project in the form of 'multi-use infrastructure' (Gallop 2001).

Methanex have already signed a 'gas sales and purchase agreement' and plans to make its final investment decision in late 2002. Current plans are to begin construction in early 2003 and to complete construction and begin producing methanol in late 2005 (Methanex 2002b).

¹ Following the separation of East Timor from Indonesia, the pre-existing agreement between Indonesia and Australia regarding the sharing of the gas reserves in the Timor Sea has been abandoned and a new agreement is being negotiated with the East Timor Government. This process has created some uncertainty about gas supply from the Timor Sea. This uncertainty has been exacerbated by competition between several companies seeking to develop the resource. (BRW 2000)

² Methanex has noted that, while 150 positions will be created at the plant, it is likely that a number of these positions will be filled with experienced staff from existing Methanex operations overseas (Methanex 2002a).

Other project-specific assistance

Magnesium and Mitsubishi

The Government has noted that it has provided assistance to two projects which were previously assessed as *not* meeting the SIIP criteria for an incentive. These projects were:

- Australian Magnesium Corporation's magnesium smelter at Stanwell in Queensland, which receives Commonwealth assistance via funding of \$50 million for CSIRO research and a \$100 million loan guarantee; and
- Mitsubishi's upgrade of its Adelaide plant and global research and development centre in South Australia, which is to receive Commonwealth assistance of \$35 million.

Aspects of the assistance to Mitsubishi are discussed in section 4.4. The Commission discussed aspects of the assistance to the magnesium smelter in last year's *Review* (PC 2001).

Stuart shale oil project

Since 1991, an excise exemption has operated to assist shale oil plants in Australia, including the Stuart project in Gladstone.

Due to its environmental impacts, the Stuart shale oil project has attracted considerable public attention. The construction of the first stage of the Stuart plant has been accompanied by local community complaints about noise pollution, high odour emissions and noise. More broadly, Greenpeace has instigated a campaign targeting the effects of shale oil production on greenhouse gas emissions.

In February 2002, Southern Pacific Petroleum, the proponent of the Stuart project, approached the Commonwealth Government seeking financial assistance. The company had reportedly been having difficulties in obtaining contract sales for 'naphtha'³ from its plant to Australian refineries, due to the Greenpeace campaign (DITR 2002b).

In May 2002, the Government announced a grant for sales of naphtha from approved shale oil demonstration plants to cover the Stuart project. The grant is to be paid, up to a maximum of \$36.4 million, at the rate of \$54.58 per barrel of eligible naphtha produced and sold before 12 May 2003. The Government noted

³ A fuel produced from petroleum.

that the grant is intended to provide the same level of assistance as had been available under the excise exemption:

The maximum assistance available under the grant is equal to the maximum assistance that would be available under the effective excise exemption. The total amount of assistance has not changed. The mechanism to provide that assistance, however, was altered to overcome Greenpeace's campaign against shale oil (DITR 2002b).

The Blackburne review

In December 2000, the Commonwealth Government commissioned a review (Blackburne 2001) of the Commonwealth's investment attraction policies and programs. The review was concerned mainly with the most effective ways to pursue investment attraction activities and did not examine broader questions relating to the costs and benefits to the wider community of investment attraction.⁴ The Blackburne report was finalised in August 2001.

The report noted that there is a range of Commonwealth and State and Territory agencies involved in investment promotion and attraction, but that they are largely 'uncoordinated' and 'duplicative' and 'lack a national framework'. The report stated:

Such complexity and inefficiency needs to be rectified. Boundaries between the Commonwealth and states and territories must be seen as seamless by investors, and Commonwealth resourcing of investment activities needs to add value to the national outcomes, without creating another layer of bureaucracy (p. iv).

Among other things, the report recommended that:

- the formation of a 'National Investment Advisory Board', comprising heads of Commonwealth and State investment agencies;
- Invest Australia be organised as an autonomous agency with an expanded budget to incorporate investment attraction activities by other Commonwealth agencies;
- Invest Australia and all agencies involved in investment attraction prepare annually a statement on performance outcomes and objectives to be tabled in parliament; and
- the use of financial incentives to attract investment be seen as only one of a number of initiatives, be kept to a minimum, and be applied using rigorous criteria.

⁴ The Commission commented on these broader matters, and on program design principles to reduce the risks that SIIP grants may involve net community costs, in *Trade & Assistance Review 1998-99* (PC 1999).

In the 2002-03 Budget, the Government announced that it has broadly accepted the recommendations of the Blackburne report (Macfarlane 2002b). In December 2002, the Government elaborated on the role of Invest Australia in the *National Strategic Framework for Attracting Foreign Direct Investment* (Invest Australia 2002).

Firstly, Invest Australia will be expanded and funded by an additional \$44 million over 4 years. The agency will be set up as an autonomous agency in the Department of Industry, Tourism and Resources, under the oversight of the Employment and Infrastructure Committee of Cabinet.

Second, the National Investment Framework sets out Invest Australia's assistance priorities in certain industries. Invest Australia will:

- undertake 'extensive' investment attraction and promotion of information and communications technology (ICT), biotechnology (including pharmaceutical) and nanotechnology industries through industry-specific research, developing marketing strategies (such as organising investment events and missions) and targeting specific companies with industry development potential;
- provide primarily facilitation services for mining and energy, as well as all other sectors in the economy;
- provide limited promotion services for renewable energy, environment, light metals and forest wood products industries; and
- gives support to other agencies' investment attraction in the heavy engineering and infrastructure, spatial information, film, food and finance industries.

Third, a National Investment Advisory Board will be established to comprise States' investment agencies with Invest Australia as its chair. The Board will coordinate Commonwealth and State investment attraction activities and agencies (including the State overseas network), particularly in the targeting of ICT, biotechnology and nanotechnology industries.

Fourth, Invest Australia will use the overseas posts of the Department of Foreign Affairs and Trade to launch high level representations to establish investment leads. Austrade will provide Invest Australia with a referral service for investment leads, but will undertake no other investment activities beyond the referral role (except under a fee-for-service arrangement).

Fifth, Invest Australia will continue to provide support service to the Strategic Investment Coordinator and ensure that the SIIP will reflect the new industry priorities. In addition, it will modify SIIP assessment procedures to secure strategic investments in short lead times.

Sixth, Invest Australia's programs are to be modified and new ones added:

- the threshold for investment greater than \$50 million to receive facilitation service has been 'recast' to allow for smaller investments;
- a new Supported Skills Program will be developed to replace the Regional Headquarters Program to provide streamlined immigration procedures; and
- Invest Australia will help foreign investors to access a range of other existing programs.

5.6 State and Territory investment attraction and firm-specific assistance

State governments also provide selective assistance to attract investment projects or firms to locate within their jurisdictions. State investment attraction is delivered via a number of schemes. Examples include the Queensland Investment Incentive Scheme, the NSW Industry Assistance Fund and the ACT Business Incentive Scheme. Some States have also established dedicated agencies, such as Invest SA, to administer and attract investment projects and footloose firms, although mostly they are administered through the jurisdiction's industry or state development department.

State investment incentives take a combination of different forms. They can include cash grants, payroll tax exemptions, stamp duty waivers, discounted land and rent waivers, and the provision of infrastructure such as roads and rail access.

Examples of investment incentives provided by State governments in recent years include the following.

- In 1997-98, the ACT Government offered \$36.2 million to EDS Australia to locate an office in Canberra. In 1999-2000, Prime Television received a payroll tax concession of \$1.5 million to establish a digital broadcasting facility in Canberra.
- In 1998, the NSW Government provided incentives to Lockheed Martin to establish a space tracking station in Uralla.
- As noted earlier, in 1999, Queensland provided undisclosed assistance to entice Virgin Blue to locate its headquarters in Brisbane, while the ACT Government offered \$10 million to attract Impulse Airlines to base its operations in Canberra.
- In 2000, the South Australian Government provided undisclosed incentives to attract Email (now Electrolux) to relocate from Victoria to South Australia.

Earlier, in 1994, the Government had provided incentives to entice Motorola to the State.

- In 2001, the Queensland Government provided undisclosed incentives for Berri Fruit Juice to relocate its export production operations from NSW and South Australia to Queensland. Earlier, South Australia had provided incentives to Berri to retain manufacturing operations in their State, after the company had been persuaded to shift its headquarters to Melbourne.
- The South Australian and Victorian Governments have also provided a number of selective incentives to car makers (see section 4.4).

State governments also provide subsidies for specific sporting events and/or facilities which, it is contended, will benefit local industry development and economic activity. Recent examples include the provision of subsidies for the V8 Supercar Series in the ACT, the Formula One Grand Prix in Melbourne and the development of Hindmarsh Football Stadium in Adelaide.

In addition to investment attraction policies, State governments also provide a combination of investment ‘facilitation’ and ‘promotion’ services. Facilitation and promotion services involve publicity on the benefits that a State can offer companies and fast-tracking of government regulatory and approval processes on investment proposals. In Victoria, for example, the Government’s facilitation service provides prospective investors with information and advice on regulatory requirements, identifies infrastructure needs and coordinates the development approval process.

Policy-related developments

The Industry Commission’s 1996 inquiry

The Industry Commission examined State government investment attraction policies in a public inquiry in 1996. Often it is difficult to determine the merits of particular assistance packages due to the lack of transparency. In this context, the Commission observed that, frequently, neither the extent of the assistance provided, nor the analysis that underpins a government’s decision to provide a selective incentive, are made publicly available — governments often citing commercial confidentiality for non-disclosure. The Commission found that individual States could benefit economically from the provision of selective incentives in some instances. However, it also found that the provision of selective investment incentives entails several significant economic risks. Among other things:

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- large incentives can be at the expense of more fundamental improvements to the jurisdiction's business climate, and the provision of other community services;
 - there is a risk that incentives will be provided to firms which would have chosen to invest in the jurisdiction anyway and, hence, the jurisdiction will incur costs to taxpayers and businesses for no additional benefits;
 - where incentives do lure new projects from elsewhere, these projects may draw resources, such as skilled labour, away from more productive uses in other local industries and firms; and
 - the long-term gains in terms of output and employment in the state or territory are likely to be limited, particularly when the prospect of retaliatory action by other state and territory governments is considered.

From a national viewpoint, the Commission considered that inter-State competition for investment through selective incentive packages will generally have adverse net effects.

The Commission examined several options to develop an intergovernmental agreement on industry assistance provided by the States. Such an agreement could involve a transparency and monitoring mechanism, limits on some assistance or a comprehensive arrangement to limit all assistance. The Commission also saw a legitimate role for the Commonwealth to encourage the states to limit their selective industry assistance (IC 1996).

The implications of continued inter-State 'bidding wars' were highlighted in a recent speech by the Productivity Commission's chairman (Banks 2002).

Recent developments

In recent years, several independent State-based agencies and parliamentary committees have also called for greater transparency in industry assistance and have recommended reforms to the administration, evaluation and monitoring of assistance programs. For example:

- In 1998, the NSW Auditor-General (1998) recommended that accountability and transparency for the provision of assistance be increased, and information not be classified as commercial-in-confidence unless it was demonstrably necessary.
- In 2000, the Tasmanian Auditor-General (2000) recommended that there be public disclosure of the details of government assistance, and that commercial confidentiality should not take precedence over governmental accountability.

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- The South Australian Economic and Finance Committee (2000) recommended that information on individual assistance packages be tabled and reported to the State Parliament annually.
 - In 2001, the NSW Public Accounts Committee (2001) similarly found no valid reason why government assistance should remain confidential and recommended several ways for greater disclosure of information on industry assistance.
 - The Victorian Auditor-General (2002a) recommended annual reporting of details of assisted investment projects, their progress and the performance of the sectors targeted by investment incentives.
 - In 2002, the ACT Auditor-General (2002) recommended that all agencies review their procedures for developing and verifying the veracity of input to Cabinet submissions and public announcements, as well as reviewing their record-keeping processes.
 - The Queensland Auditor-General (2002) recommended that the provision of investment incentives be given ‘probity checks’, that changes of incentive criteria by the administering agencies first receive Cabinet approval, and that there be detailed assessment procedures for major strategic projects and further disclosure of incentive packages.

In February 2000, the Commonwealth Government indicated that it had reached a non-prescriptive agreement with state and territory governments to cooperate on investment attraction activities (Minchin 2000). The Commonwealth, State and Territory governments are signatories to the *Operating Guidelines for Commonwealth, States and Territories on Investment Promotion, Attraction and Facilitation*. Under this agreement, all governments will meet annually to review the efficiency and effectiveness of investment incentives (Costello 2001).

In March 2001, the NSW and Victorian Governments announced that they had established a joint working party on investment. The governments aim to ‘eliminate unnecessary bidding wars and will work to contain fiscal incentives’. Through the working party, the NSW and Victorian Governments undertook to:

- establish protocols to share information on investor approaches (having regard to commercially sensitive information) on a case-by-case basis;
- share information on investment evaluation methodologies; and
- examine opportunities to co-locate their overseas business offices and share resources to attract new international investment to Australia.

The NSW and Victorian Governments also called on other State governments to join the agreement and on the Commonwealth Government to establish more effective investment attraction procedures (NSW and Victorian Ministries 2001).

In August 2002, the South Australian Government announced that it will join with NSW and Victorian Governments to reduce cross-border bidding for investment and restrict the use of financial incentives to attract investment (Foley 2002).

As noted earlier, the Blackburne review has also called for greater inter-governmental cooperation in relation to investment incentives. The Commonwealth Government has responded by, among other things, establishing a National Investment Advisory Board.

6 Recent developments in trade policy

Australia has a strong economic interest in the rules and arrangements that govern international trade. Australia's approach to trade reform over recent decades has focused mainly on unilateral trade liberalisation, supported by its participation in multilateral trade negotiations. In addition, Australia has regional trade arrangements with some neighbouring countries in the South Pacific and regional initiatives to encourage trade liberalisation through the Asia Pacific Economic Cooperation (APEC) forum.

In this chapter, the Commission reports on recent developments in trade policy including:

- multilateral trade negotiations in the World Trade Organisation (WTO);
- recent efforts by the Australian Government to establish regional trading agreements with particular APEC members; and
- the WTO's recent Trade Policy Review of Australia.

6.1 Multilateral trade negotiations

In November 2001, a new round of WTO trade negotiations was launched at the Fourth WTO Ministerial Conference in Doha. Australia will participate in the new round. The Productivity Commission commented on the outcomes of the Doha Ministerial, and the scope of the negotiations it mandated, in last year's *Review* (PC 2001).

The negotiations will cover a wide range of issues. Accordingly, separate negotiating groups have been established which deal with agriculture, services, industrial products, WTO rules, dispute settlement procedures, trade and the environment, geographical indicators for wines and spirits, and a review of 'special and differential treatment' provisions for developing countries (DFAT 2002a). While the negotiations between member countries occur 'behind closed doors', several groups have important deadlines approaching for significant decisions:

- A first round of 'requests'¹ for the services negotiations was completed in June 2002. The focus now is on bilateral negotiations between trading partners in preparation for initial 'offers'¹, which are scheduled to be made by 31 March 2003.

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- A ‘modalities document’² for agricultural negotiations is to be developed by March 2003. This document is to be used by WTO member governments to produce their first round of offers on agriculture, which are due by the Fifth WTO ministerial conference in September 2003.
 - Similarly, modalities for trade in non-agricultural products negotiations are due to be agreed by March 2003.

The Doha Ministerial Declaration also committed member countries to ‘the objective of duty-free, quota-free market access for products originating from LDCs [least developed countries]’ (WTO 2001b). In June 2002, at the Commonwealth Government’s request, the Productivity Commission analysed the effects of removing Australian tariffs on imports from LDCs on the Australia economy and other countries (PC 2002c). Only a very small portion of imports to Australia are sourced from LDCs. Most of these are textiles and clothing. The Commission found that the overall effects on the Australian clothing industry of removing tariffs on these products was likely to be small, and the impact on the rest of the Australian economy would be negligible. Subsequently, the Government has granted tariff- and quota-free access to LDCs (Howard 2002f).

In November 2002, Australia hosted a ‘mini-ministerial’ meeting in Sydney of 25 trade ministers from WTO member countries. While the meeting discussed a range of issues related to the Doha round, it focused on the Trade Related Aspects of Intellectual Property Rights (TRIPS) agreement. The Doha ministerial meeting had earlier made a declaration on TRIPS and public health which reiterated members’ ability to use ‘compulsory licensing’ provisions³ in order to protect public health. It also noted that countries without pharmaceutical manufacturing facilities may have difficulty using these provisions and committed WTO members to ‘find an expeditious solution to this problem’ (WTO 2001b). While the Sydney mini-ministerial did not resolve the issue completely, Mr Vaile, the Minister for Trade, stated that there was a ‘convergence of views between Ministers on how best to improve access to medicines’ and Ministers were ‘determined to see this issue resolved by the end of the year’ (Vaile 2002c).

¹ The process of the services negotiations in the WTO requires individual countries to make ‘requests’ for other countries to liberalise certain aspects of their trade restrictions or trade-related economic policies. All countries then make ‘offers’ to liberalise, which form the basis for subsequent negotiations.

² The modalities document sets out the procedures to be followed during the negotiations and may also outline targets that are expected to be met.

³ Under ‘compulsory licensing’ provisions, countries can produce patented products without the consent of (and without giving compensation to) the patent holder in cases of ‘national emergency or other circumstances of extreme urgency’.

More broadly, however, as the Commission noted in last year's *Review*, while the negotiating agenda agreed at Doha appears to be promising in some respects, its success will depend on the course of the detailed negotiations that lie ahead. Recent decisions by the US Government to extend its farm subsidy program and to impose tariffs on steel imports do not auger well in this respect. Similarly, recent reports suggest that the European Union is likely to extend its Common Agricultural Policy until 2013 (The Australian 2002). If this occurs, it could encumber the critical agricultural negotiations.

The Doha negotiations are scheduled to conclude by 1 January 2005. The Fifth WTO ministerial conference has been scheduled for September 2003 (in Mexico), following which negotiations are scheduled to begin in the areas of investment and competition policy, government procurement and trade facilitation.

6.2 Preferential trading arrangements

As reported in last year's *Review*, the Australian government has recently sought to negotiate Preferential Trading Agreements (PTAs) with a number of countries. This follows the recent global trend towards PTAs as an instrument to encourage greater trade and integration between two or more countries. Since 1995, more than 100 agreements covering trade in goods or services, or both, have been notified to the WTO (WTO 2002e). However, unlike many earlier agreements which involved several nations, most of these have been bilateral agreements.

In the past, Australia's approach to trade reform has focused mainly on unilateral liberalisation, supported and reinforced by its participation in the multilateral trading system under the GATT/WTO. Australia's main bilateral PTA is the Australia-New Zealand 'Closer Economic Relations' Agreement, established in 1983. Australia has also pursued regional initiatives to encourage trade liberalisation through the APEC forum.

The Government is now seeking to develop agreements with a number of countries:

- Singapore — In November 2002, Australia and Singapore announced that they had finalised negotiations for a free trade agreement. The agreement is expected to be formally signed in early 2003 (Vaile 2002b).
- Thailand — In May 2002, the Prime Ministers of Australia and Thailand announced that the two countries would begin negotiations toward a closer economic relations (free trade) agreement (Howard 2002c). Rounds of negotiations took place in August and October. No timetable has been set for the final agreement to be completed.

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- Japan — The Prime Ministers of Australia and Japan announced in May 2002 that ‘the two governments would launch high-level consultations to explore all options for deeper economic linkages between Australia and Japan’ (Howard 2002b).
 - United States — In November 2002, the United States and Australian governments announced that they would begin free trade agreement negotiations. This follows the passing of a trade promotion authority law (‘fast track’) in the United States in August. The law allows the United States president (or his representatives) to negotiate agreements with foreign countries, which can then either be passed or rejected by the United States parliament, but not amended. Negotiations between Australia and the United States are expected to begin early in 2003.⁴

The Commission commented on issues in assessing the merits of Australia entering into PTAs in last year’s *Review* (PC 2001). As noted at that time, preferential reductions of tariffs among members may have beneficial or adverse effects for members and for third parties, and the net effect of any PTA may be positive or negative. Hence, the merits of entering into any PTA need to be assessed carefully.

6.3 The WTO’s Trade Policy Review of Australia

In 2002, the WTO conducted a Trade Policy Review (TPR) of Australia as part of its systematic review of all WTO members (WTO 2002d). Previous TPRs of Australia were conducted in 1998 and 1994. The TPRs aim to increase transparency and understanding of countries’ trade policies. The reviews focus on WTO members’ own trade policies and practices, although they may also take into account the country’s wider economic and development policies.

In addition to independent analysis by the WTO secretariat, the TPR process also includes submissions from other WTO countries and responses from the Australian Government (DFAT 2002b).

The TPR final report commented on several areas of Australia’s performance over the past four years including its economic performance, tariff reform and government procurement policies.

⁴ Following the passing of the law, the US administration also plans to begin negotiations with a number of other countries including Chile, Morocco, Singapore, the Southern African Customs Union (Botswana, Lesotho, Namibia, South Africa and Swaziland) and the Central American Economic Integration System (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua). In addition, the United States is continuing negotiations with 34 South American countries to establish the Free Trade Area of the Americas.

Economic performance

The TPR report noted that, since its previous review, the Australian economy had performed strongly, with impressive GDP growth, low inflation and falling unemployment, notwithstanding the effects of the Asian financial crisis. It attributed this largely to ‘sound macroeconomic policies in combination with some far reaching structural reforms that have reinforced past unilateral trade liberalisation’ (WTO 2002b).

Tariff Reform

Australia’s continuing tariff reforms were commended. Over the four years since the last TPR, average MFN⁵ tariffs have fallen from 5.6 per cent to 4.3 per cent. Most tariff lines (96 per cent) are bound⁶, which imparts a high degree of predicability in the system. These bound rates have, on average, fallen over the period. While applied MFN tariffs offer some scope for the government to increase tariffs within bindings, the report found that this has not happened in the past four years and, indeed, applied tariffs have fallen on average by more than the bound rates. Nevertheless, the TPR report found that recent tariff reductions had done little to address the issue of tariff escalation.⁷

The report commented that there are still significant tariff peaks protecting the MVP and TCF industries. Tariffs on motor vehicles have recently been reduced, and are scheduled to fall further — to 10 per cent — in 2005. The Government noted in its response that post-2005 TCF assistance arrangements are to be reviewed, and that the ‘timing of further [post 2005] reductions to PMV tariffs will be considered by the Government’ (DFAT 2002b).⁸

⁵ MFN or Most Favoured Nations tariffs apply to all WTO members who do not have a preferential arrangement with Australia.

⁶ Binding a tariff refers to giving a commitment that the applied tariff will be no greater than the bound rate.

⁷ Tariff escalation refers to situations where primary inputs (raw materials) attract a lower tariff than semiprocessed materials and finished outputs. Such a tariff structure encourages the domestic processing and manufacturing of materials rather than processing occurring where the raw materials originate. Thus, a higher degree of protection is conferred upon the industry than is suggested by the tariff alone (WTO 2002c).

⁸ Subsequently, in December 2002, the Government announced new assistance arrangements for the automotive industry which entail a reduction in PMV tariffs to 5 per cent in 2010 (see section 4.4).

Agricultural assistance and quarantine

According to the report, formal assistance to Australian agriculture has remained low over the past four years. As measured by the WTO secretariat, total support amounted to 0.3 per cent of GDP in 2001, the lowest in the OECD. It was also noted that most domestic support measures for agriculture are so called ‘green box’ measures that have little affect on production or trade.

Several countries, however, questioned Australia’s Sanitary and Phytosanitary (SPS) and quarantine requirements, arguing that they are unduly stringent. In its response, the Australian Government observed that Australia has a unique disease free status which, if breached, would impose serious costs on Australia. It further stated that ‘Australia has an open and transparent risk assessment process that keeps all interested parties — including other countries — informed’.

Government procurement

Questions were also raised about Australia’s use of government procurement policies as an instrument of industry policy.⁹ Australia has not signed the WTO agreement on government procurement and, according to the Government’s response to questions, has no plans to accede to the agreement. Some Australian governments still accord significant preference margins (up to 20 per cent) to local (and New Zealand) producers. In addition, local content rules are used by some governments.

The Australian Government noted that the Commonwealth has no power over the purchasing decisions of State and Territory governments (which often use procurement policies), and that all Australian governments make their procurement policies publicly available on the Internet (DFAT 2002b).

Luxury Car Tax

The major structural adjustment since the previous TPR was the introduction of the goods and services tax and associated changes to the taxation system.

One concern associated with the restructuring of the tax system was the introduction of the ‘Luxury Car Tax’ which applies to vehicles priced above a set threshold

⁹ Government procurement policies refer to preferment by governmental agencies of a particular type of supplier when making purchasing decisions. Usually government procurement policies favour local products over imported products, but they may be based on other criteria, such as business size.

(currently \$57 009). The report commented that this tax ‘seemed to be discriminatory on imported cars, whose prices in Australia, already reflecting high import tariffs, tend to be higher than those of locally manufactured vehicles’. The Government responded that:

The government introduced this tax as an equity measure... This was necessary to prevent disproportionate falls in the price of luxury vehicles compared to standard model vehicles when a GST of 10 per cent replaced the wholesale sales tax of 45 per cent... the luxury tax applies to both imported and domestically produced vehicles without discrimination (DFAT 2002b).

APPENDIXES

A Commonwealth budgetary assistance estimates

Each year, the Commission calculates estimates of Commonwealth budgetary assistance to industry. Until recently, estimates have been reported only at the sectoral level — that is, for manufacturing, primary production, mining and services. To provide more detailed information on the incidence of this assistance, since 2000 the Commission has disaggregated its estimates for the manufacturing and services sectors into 11 and 14 industry groupings respectively. The methodology used to allocate budgetary assistance to these industry groupings was described in a *Methodological Annex* to the *Trade & Assistance Review 1999-2000* (PC 2000).

This year, the Commission has provided further detail by disaggregating its estimates for primary production sector into 10 industry groupings. Thus, the Commission now reports estimates for 37 industry groupings (plus 4 *unallocated* groupings). For this year's *Review*, estimates according to the new industry classification structure have been made for the years from 1999-2000 to 2002-03, and the Commission intends to continue reporting budgetary assistance according to this structure. The *Methodological Annex* accompanying this *Review* (PC 2002e) outlines the methodology used to disaggregate assistance to primary production into its component industry groupings.

An overview of Commonwealth budgetary assistance in 2001-02 is provided in chapter 3. As noted there, Commonwealth budgetary assistance amounted to \$3.9 billion in 2001-02.

The tables in this appendix provide more detail about assistance to each industry grouping, for the years from 1999-2000 to 2002-03, including;

- the programs classified as assisting the grouping and the extent of that assistance;
- the activity that each program assists — such as exports and research and development, and
- the type of assistance that each program provides — that is, tax exemptions, direct financial assistance or the funding of institutions.

Table A.1 Commonwealth budgetary assistance to primary production, 1999-2000 to 2002-03

\$ million

	Type ^a	99-00	00-01	01-02 ^b	02-03 ^b
Horticulture and fruit growing					
<i>Industry-specific measures</i>					
Citrus Industry Market Diversification Subsidy	DFA	0.3	0.2	0.7	-
<i>Sector-specific measures</i>					
Farm Help	DFA	3.6	4.6	5.0	3.5
Farm Management Deposits Scheme	TE	4.3	3.8	2.2	2.7
Income Equalisation Deposits Scheme	TE	1.5	-	-	-
Income tax averaging provisions	TE	5.9	6.3	6.7	8.0
Rural Financial Counselling Service	FI	-	-	0.6	0.6
Skilling farmers for the future	FI	-	1.7	2.7	4.6
Tax allowance on drought preparedness assets	TE	0.5	0.2	-	-
Tax deduction for conserving or conveying water	TE	4.7	4.7	4.7	4.7
<i>Rural R&D measures</i>					
Grape and Wine R&D Corporation	FI	5.3	5.7	6.3	7.4
Horticulture R&D	FI	13.7	20.3	26.3	26.3
Rural Industries R&D Corporation	FI	2.4	2.4	2.4	2.4
<i>General export measures</i>					
Export Market Development Grants Scheme	DFA	1.2	1.9	1.7	1.7
<i>General R&D measures</i>					
Cooperative Research Centres	FI	2.2	2.3	2.1	2.0
CSIRO	FI	10.6	9.7	9.8	10.0
Farm Innovation Program	DFA	-	1.6	3.1	-
New Industries Development Program	FI	-	-	1.4	1.4
R&D Start & related programs	DFA	0.1	0.1	0.1	0.1
<i>General measures</i>					
Small business capital gains tax exemption	TE	0.5	0.3	0.3	0.4
South West Forests Structural Adjustment	DFA	-	-	0.2	0.3
Wide Bay Burnett Structural Adjustment Program	DFA	-	-	0.1	0.2
Total		66.9	65.8	76.4	76.3
Grain, sheep and beef cattle farming					
<i>Industry-specific measures</i>					
Beef Expo + Gracemere Saleyards	FI	-	-	1.8	3.9
Lamb Industry Development Program	DFA	8.6	1.7	4.0	-
Tasmanian wheat freight subsidy	DFA	0.8	0.8	0.8	0.8
<i>Sector-specific measures</i>					
Farm Help	DFA	9.9	12.5	8.1	9.7
Farm Management Deposits Scheme	TE	14.4	19.9	18.3	22.0
Income Equalisation Deposits Scheme	TE	5.2	-	-	-
Income tax averaging provisions	TE	43.9	47.1	50.2	59.6
Rural Financial Counselling Service	FI	-	-	3.1	3.1
Skilling farmers for the future	FI	-	4.9	12.6	21.1
Tax allowance on drought preparedness assets	TE	8.0	4.0	-	-
Tax deduction for conserving or conveying water	TE	7.6	7.6	7.6	7.6

Table A.1 (continued)

	Type ^a	99-00	00-01	01-02 ^b	02-03 ^b
<i>Rural R&D measures</i>					
Grains R&D Corporation	FI	31.9	34.5	37.3	44.8
Meat and livestock R&D	FI	20.2	18.3	23.5	23.5
Wool R&D	FI	9.2	9.6	13.8	14.0
<i>General export measures</i>					
EFIC national interest business ^c	DFA	16.6	19.5	15.5	17.1
Export Market Development Grants Scheme	DFA	0.6	0.4	0.2	0.2
<i>General R&D measures</i>					
Cooperative Research Centres	FI	2.5	3.2	3.9	5.2
CSIRO	FI	65.0	41.2	41.3	42.4
Farm Innovation Program	DFA	-	0.4	0.8	-
New Industries Development Program	FI	-	-	0.3	0.3
R&D tax concession	TE	1.9	2.0	1.9	1.4
<i>General measures</i>					
Small business capital gains tax exemption	TE	1.2	0.9	0.9	1.0
Total		247.6	228.6	240.7	272.4
Dairy cattle farming					
<i>Sector-specific measures</i>					
Farm Help	DFA	2.9	3.7	2.4	2.8
Farm Management Deposits Scheme	TE	1.4	1.7	1.7	2.0
Income Equalisation Deposits Scheme	TE	0.5	-	-	-
Income tax averaging provisions	TE	5.1	5.4	5.8	6.9
Rural Financial Counselling Service	FI	-	-	0.4	0.4
Skilling farmers for the future	FI	-	0.8	1.9	3.1
Tax allowance on drought preparedness assets	TE	0.2	0.1	-	-
Tax deduction for conserving or conveying water	TE	0.6	0.6	0.6	0.6
<i>Rural R&D measures</i>					
Dairy Research and Development Corporation	FI	13.4	12.7	14.7	15.3
<i>General R&D measures</i>					
CSIRO	FI	11.5	9.7	9.7	9.9
Farm Innovation Program	DFA	-	-	0.1	-
New Industries Development Program	FI	-	-	0.3	0.3
Total		35.6	34.7	37.5	41.4
Poultry farming					
<i>Sector-specific measures</i>					
Farm Help	DFA	0.6	0.7	0.5	0.6
Income tax averaging provisions	TE	0.5	0.5	0.6	0.7
Skilling farmers for the future	FI	-	-	0.1	0.2
Tax deduction for conserving or conveying water	TE	0.1	0.1	0.1	0.1
<i>Rural R&D measures</i>					
Rural Industries R&D Corporation	FI	2.2	2.9	2.8	2.8
<i>General R&D measures</i>					
Farm Innovation Program	DFA	-	0.2	0.4	-
New Industries Development Program	FI	-	-	0.2	0.1
Total		3.4	4.4	4.7	4.5

Table A.1 (continued)

	Type ^a	99-00	00-01	01-02 ^b	02-03 ^b
Other livestock farming					
<i>Industry-specific measures</i>					
Pork industry development group grant	FI	4.1	0.5	-	-
Pork producer exit program	DFA	5.0	-	-	-
<i>Sector-specific measures</i>					
Farm Help	DFA	0.5	0.7	0.4	0.5
Farm Management Deposits Scheme	TE	1.8	1.9	1.3	1.5
Income Equalisation Deposits Scheme	TE	0.7	-	-	-
Income tax averaging provisions	TE	1.9	2.0	2.2	2.6
Rural Financial Counselling Service	FI	-	-	0.1	0.1
Skilling farmers for the future	FI	-	-	0.1	0.2
Tax allowance on drought preparedness assets	TE	0.3	0.1	-	-
Tax deduction for conserving or conveying water	TE	0.3	0.3	0.3	0.3
<i>Rural R&D measures</i>					
Pig R&D Corporation	FI	3.6	3.8	4.0	4.4
Rural Industries R&D Corporation	FI	1.2	1.2	1.2	1.2
<i>General export measures</i>					
Export Market Development Grants Scheme	DFA	0.7	0.4	0.3	0.3
<i>General R&D measures</i>					
CSIRO	FI	4.7	4.0	4.0	4.1
Farm Innovation Program	DFA	-	0.2	0.5	-
New Industries Development Program	FI	-	-	0.3	0.3
R&D Start & related programs	DFA	-	0.1	0.1	0.1
Total		24.8	15.1	14.8	15.6
Other crop growing					
<i>Industry-specific measures</i>					
Sugar industries package	FI	4.8	29.6	19.3	-
Sugar industry infrastructure Program	FI	0.9	1.8	1.8	-
<i>Sector-specific measures</i>					
Farm Help	DFA	12.2	15.5	10.0	11.9
Farm Management Deposits Scheme	TE	2.8	2.4	1.3	1.5
Income Equalisation Deposits Scheme	TE	1.0	-	-	-
Income tax averaging provisions	TE	1.9	2.0	2.1	2.5
Rural Financial Counselling Service	FI	-	-	0.3	0.3
Skilling farmers for the future	FI	-	0.7	0.4	0.7
Tax allowance on drought preparedness assets	TE	0.8	0.4	-	-
Tax deduction for conserving or conveying water	TE	7.2	7.2	7.2	7.2
<i>Rural R&D measures</i>					
Cotton Research and Development Corporation	FI	5.8	6.8	7.6	8.2
Rural Industries R&D Corporation	FI	2.6	2.7	2.7	2.7
Sugar Research and Development Corporation	FI	3.6	3.8	4.2	4.3
<i>General export measures</i>					
Export Market Development Grants Scheme	DFA	0.5	0.4	0.5	0.5
<i>General R&D measures</i>					
Cooperative Research Centres	FI	9.7	9.5	10.2	8.7

Table A.1 (continued)

	Type ^a	99-00	00-01	01-02 ^b	02-03 ^b
CSIRO	FI	9.5	9.2	9.2	9.5
Farm Innovation Program	DFA	-	0.5	0.9	-
New Industries Development Program	FI	-	-	0.2	0.2
R&D Start & related programs	DFA	0.1	0.1	0.1	0.1
R&D tax concession	TE	1.9	2.0	1.9	1.4
<i>Total</i>		65.3	94.5	79.9	59.8
Services to agriculture (inc hunting and trapping)					
<i>Sector-specific measures</i>					
Income tax averaging provisions	TE	2.8	3.0	3.2	3.8
Tax allowance on drought preparedness assets	TE	0.2	0.1	-	-
Tax deduction for conserving or conveying water	TE	0.4	0.4	0.4	0.4
<i>General R&D measures</i>					
Biotechnology innovation fund	DFA	-	-	0.1	0.4
R&D Start & related programs	DFA	3.2	5.1	5.6	5.6
<i>General export measures</i>					
Export Market Development Grants Scheme	DFA	0.7	0.1	0.3	0.3
<i>General measures</i>					
Small business capital gains tax exemption	TE	0.3	0.2	0.2	1.0
South West Forests Structural Adjustment	DFA	-	-	0.1	0.2
<i>Total</i>		7.6	9.0	9.8	11.6
Forestry and logging					
<i>Industry-specific measures</i>					
Forest industry structural adjustment	DFA	4.5	3.4	18.9	47.3
National Forest Policy Program	FI	3.9	2.0	-	-
<i>Sector-specific measures</i>					
Income tax averaging provisions	TE	0.8	0.8	0.9	1.1
<i>Rural R&D measures</i>					
Forrest and Wood Products Research and Development	FI	3.2	3.7	4.0	3.2
Rural Industries R&D Corporation	FI	2.4	2.2	2.2	2.2
<i>General R&D measures</i>					
Cooperative Research Centres	FI	2.3	2.3	2.4	2.4
CSIRO	FI	13.1	12.0	12.0	12.4
<i>General measures</i>					
Eden Structural Adjustment	DFA	-	0.2	0.1	-
<i>Total</i>		30.2	26.7	40.5	68.6
Marine fishing					
<i>Sector-specific measures</i>					
Farm Management Deposits Scheme	TE	0.2	0.2	0.1	0.2
Income tax averaging provisions	TE	6.6	7.1	7.6	9.0
Skilling farmers for the future	FI	-	-	0.1	0.2
<i>Rural R&D measures</i>					
Fishing industry R&D	FI	7.0	7.8	8.8	10.9
<i>General R&D measures</i>					
CSIRO	FI	24.0	25.8	25.8	26.8

Table A.1 (continued)

	Type ^a	99-00	00-01	01-02 ^b	02-03 ^b
Farm Innovation Program	DFA	-	0.2	0.5	-
New Industries Development Program	FI	-	-	0.2	0.2
R&D Start & related programs	DFA	0.8	1.2	1.3	1.3
<i>General export measures</i>					
Export Market Development Grants Scheme	DFA	0.6	0.3	0.2	0.2
<i>General measures</i>					
Eden Structural Adjustment	DFA	-	0.4	0.2	0.1
Small business capital gains tax exemption	TE	0.6	0.4	0.4	0.5
<i>Total</i>		39.8	43.4	45.3	49.4
Aquaculture					
<i>Sector-specific measures</i>					
Farm Help	DFA	0.1	0.1	0.1	0.1
Income tax averaging provisions	TE	0.7	0.8	0.8	1.0
Skilling farmers for the future	FI	-	-	0.2	0.4
<i>Rural R&D measures</i>					
Fishing industry R&D	FI	5.6	6.7	7.1	8.8
<i>General export measures</i>					
Export Market Development Grants Scheme	DFA	0.2	-	0.2	0.2
<i>General investment measures</i>					
Development allowance	TE	2.3	2.0	1.9	1.6
<i>General R&D measures</i>					
Cooperative Research Centres	FI	2.4	0.4	1.5	2.6
CSIRO	FI	2.2	1.9	1.9	1.9
Farm Innovation Program	DFA	-	0.1	0.2	-
New Industries Development Program	FI	-	-	0.3	0.2
R&D Start & related programs	DFA	0.6	0.9	1.0	1.0
<i>Total</i>		14.1	12.9	15.2	17.8
Unallocated primary production					
<i>Sector-specific measures</i>					
Agricultural development partnership	DFA	-	-	1.0	5.0
Australian animal health laboratory	FI	6.0	6.0	5.9	6.0
Exotic Disease Preparedness program	FI	15.9	3.6	1.2	1.2
Farm assistance Program	FI	-	1.0	-	-
Farm business programs	FI	11.7	17.1	-	-
Farm Help	DFA	0.7	0.9	0.6	0.7
Food and Fibre supply chain program	FI	7.0	6.0	-	-
National landcare program	FI	37.0	37.0	38.2	37.1
Rural adjustment scheme	DFA	29.0	18.0	21.6	18.3
Rural Financial Counselling Service	FI	-	-	0.7	0.7
Skilling farmers for the future	FI	-	0.6	0.8	1.3
Supermarket to Asia strategy	FI	4.0	-	-	-
<i>Rural R&D measures</i>					
Land and water resources R&D	FI	11.0	11.3	11.6	11.9
Rural Industries R&D Corporation	FI	4.3	4.0	3.9	3.9

Table A.1 (continued)

	Type ^a	99-00	00-01	01-02 ^b	02-03 ^b
<i>General R&D measures</i>					
Cooperative Research Centres	FI	4.5	7.6	7.6	8.5
Major national research facilities	FI	0.4	0.4	0.3	1.7
<i>General measures</i>					
Tasmanian Freight equalisation scheme	DFA	4.0	4.1	4.4	4.3
<i>Total</i>		<i>135.5</i>	<i>117.6</i>	<i>97.8</i>	<i>100.6</i>
Total outlays		517.4	514.2	529.2	564.7
Total tax expenditures		143.4	138.4	133.4	153.3
Total Budgetary assistance		660.8	652.7	662.6	718.0

^a Nil. Figures may not add to total due to rounding. ^a DFA: direct financial assistance; FI: funding to institutions; TE: tax expenditures. ^b 2001-02 data are Budget estimates and 2002-03 data are Budget appropriations. ^c The estimates reported in this section are net National Interest Business outlays. These payments are insurance pay-outs. Because any difference between the National Interest Business scheme's borrowing and lending rates is underwritten by the Commonwealth, the scheme may provide assistance to agricultural exporters. However, net National Interest Business outlays provide only a weak indication of any assistance provided.

Sources: Commonwealth Budget and Budget related papers (various years); departmental annual reports (various years); Treasury 2002; McGauran 2002; Commission estimates.

Table A.2 **Commonwealth budgetary assistance to the mining sector, 1999-2000 to 2002-03**

\$ million

	Type ^a	99-00	00-01	01-02 ^b	02-03 ^b
<i>Industry-specific measures</i>					
Gold tax exemption	TE	5.0	-	-	-
Investment Incentive to Rio Tinto	DFA	-	-	-	45.6
Regional minerals program	FI	1.0	0.3	0.3	0.3
<i>General export measures</i>					
Export Market Development Grants Scheme	DFA	2.1	2.3	2.2	2.2
TRADEX	TE	-	0.3	0.4	0.5
<i>General investment measures</i>					
Development allowance	TE	114.9	101.1	91.9	78.1
<i>General R&D measures</i>					
Cooperative Research Centres	FI	9.0	5.8	7.3	8.4
CSIRO	FI	47.3	52.7	51.6	52.9
Innovation investment fund	DFA	-	-	0.8	1.8
Major national research facilities	FI	-	-	-	0.6
New Industries Development Program	FI	-	-	0.1	0.1
R&D Start & related programs	DFA	23.0	12.0	13.3	13.3
R&D tax concession	TE	45.1	47.2	44.1	32.5
Total outlays		82.4	73.0	75.6	125.2
Total tax expenditures		165.0	148.6	136.4	111.1
Total Budgetary assistance		247.4	221.6	212.0	236.4

^a Nil. Figures may not add to total due to rounding. ^a DFA: direct financial assistance; FI: funding to institutions; TE: tax expenditures. ^b 2001-02 data are Budget estimates and 2002-03 data are Budget appropriations.

Sources: Commonwealth Budget and Budget related papers (various years); departmental annual reports (various years); Treasury 2002; Commission estimates.

Table A.3 **Commonwealth budgetary assistance to the manufacturing sector, 1999-2000 to 2002-03**

\$ million

	Type ^a	99-00	00-01	01-02 ^b	02-03 ^b
Food, beverages and tobacco					
<i>Industry-specific measures</i>					
Brandy excise preferential rate	TE	5.0	3.0	3.0	3.0
National food industry strategy	DFA	-	-	-	7.0
Pigmeat processing grants program	DFA	4.1	2.8	1.6	-
Tasmanian wheat freight subsidy	DFA	0.4	0.4	0.4	0.4
<i>General export measures</i>					
Export Market Development Grants Scheme	DFA	9.0	8.7	8.4	8.4
TRADEX	TE	-	0.4	0.6	0.8
<i>General investment measures</i>					
Development allowance	TE	4.3	3.8	3.4	2.9
<i>General R&D measures</i>					
Cooperative Research Centres	FI	6.0	7.6	8.7	7.8
CSIRO	FI	18.4	19.9	20.0	20.7
New Industries Development Program	FI	-	-	0.5	0.4
R&D Start & related programs	DFA	2.0	2.0	2.3	2.3
R&D tax concession	TE	19.8	20.7	19.3	14.3
<i>General measures</i>					
Eden Structural Adjustment	DFA	-	1.5	0.7	0.2
Small business capital gains tax exemption	TE	0.4	0.3	0.3	0.3
Tasmanian Freight equalisation scheme	DFA	8.0	9.0	12.2	12.0
Wide Bay Burnett Structural Adjustment Program	DFA	-	-	0.4	0.6
Total		77.4	80.2	81.8	81.0
Textile, clothing, footwear and leather					
<i>Industry-specific measures</i>					
Loan to Howe Leather	DFA	14.0	-	-	-
TCF import credit scheme	TE	83.2	49.2	9.9	-
TCF strategic investment program	DFA	3.8	11.8	150.7	130.7
<i>General export measures</i>					
Export Market Development Grants Scheme	DFA	5.1	6.4	6.2	6.2
TEXCO	TE	9.0	-	-	-
TRADEX	TE	-	10.4	15.53	18.86
<i>General R&D measures</i>					
Cooperative Research Centres	FI	3.0	-	-	-
CSIRO	FI	10.7	30.6	30.7	31.5
R&D Start & related programs	DFA	1.0	1.0	0.8	0.8
R&D tax concession	TE	1.5	1.6	1.5	1.1
<i>General measures</i>					
Tasmanian Freight equalisation scheme	DFA	0.5	0.5	0.8	0.8
Total		131.8	111.4	216.2	190.0

Table A.3 (continued)

	Type ^a	99-00	00-01	01-02 ^b	02-03 ^b
Wood and paper products					
<i>Industry-specific measures</i>					
Assistance to Visy industries	DFA	3.0	3.0	3.0	3.0
<i>General export measures</i>					
Export Market Development Grants Scheme	DFA	1.3	1.6	1.8	1.8
TEXCO	TE	2.0	-	-	-
TRADEX	TE	-	0.2	0.3	0.3
<i>General investment measures</i>					
Development allowance	TE	1.2	1.1	1.0	0.8
<i>General R&D measures</i>					
Cooperative Research Centres	FI	1.0	0.0	1.3	3.0
CSIRO	FI	4.6	5.5	5.5	5.7
R&D Start & related programs	DFA	1.0	1.0	0.1	0.1
R&D tax concession	TE	7.1	7.4	6.9	5.1
<i>General measures</i>					
Tasmanian Freight equalisation scheme	DFA	18.0	16.0	20.1	19.8
<i>Total</i>		39.2	35.7	40.1	39.7
Printing, publishing and recorded media					
<i>Industry-specific measures</i>					
Extended printing industry competitiveness	DFA	-	13.5	15.9	4.1
Printing Industry Competitiveness Scheme	DFA	5.9	3.5	1.9	0.4
<i>General export measures</i>					
Export Market Development Grants Scheme	DFA	3.1	3.1	2.9	2.9
<i>General R&D measures</i>					
R&D Start & related programs	DFA	2.0	1.0	1.6	1.6
R&D tax concession	TE	1.4	1.4	1.3	1.0
<i>General measures</i>					
Small business capital gains tax exemption	TE	0.3	0.2	0.2	0.3
<i>Total</i>		12.7	22.7	23.8	10.3
Petroleum, coal, chemical and associated products					
<i>Industry-specific measures</i>					
Factor F program	DFA	79.0	-	-	-
Investment Incentive to Methanex	DFA	-	-	-	20.0
Investment incentive to Syntroleum	DFA	42.0	50.0	20.0	-
Pharmaceutical industry development program	DFA	34.0	37.6	62.8	70.1
<i>General export measures</i>					
Export Market Development Grants Scheme	DFA	5.8	5.5	5.0	5.0
TEXCO	TE	2.0	-	-	-
TRADEX	TE	-	1.9	2.8	3.4
<i>General investment measures</i>					
Development allowance	TE	9.9	8.7	7.9	6.8
<i>General R&D measures</i>					
Biotechnology innovation fund	DFA	-	-	1.3	4.4
Cooperative Research Centres	FI	19.0	17.6	14.4	13.6

Table A.3 (continued)

	Type ^a	99-00	00-01	01-02 ^b	02-03 ^b
CSIRO	FI	40.4	40.8	40.9	41.9
Farm Innovation Program	DFA	-	0.1	0.1	-
Innovation investment fund	DFA	8.8	12.8	0.4	0.9
New Industries Development Program	FI	-	-	0.3	0.3
R&D Start & related programs	DFA	12.0	9.0	12.4	12.4
R&D tax concession	TE	16.8	17.6	16.4	12.1
<i>General measures</i>					
Small business capital gains tax exemption	TE	0.7	0.5	0.5	0.5
<i>Total</i>		270.4	202.1	185.3	191.5
Non-metallic mineral products					
<i>General export measures</i>					
Export Market Development Grants Scheme	DFA	1.0	1.0	1.1	1.1
TEXCO	TE	1.0	-	-	-
<i>General R&D measures</i>					
Innovation investment fund	DFA	-	1.2	-	-
R&D Start & related programs	DFA	1.0	7.0	10.6	10.6
R&D tax concession	TE	7.7	8.0	7.5	5.5
<i>Total</i>		10.7	17.2	19.21	17.2
Metal products					
<i>General export measures</i>					
Export Market Development Grants Scheme	DFA	4.0	3.9	3.1	3.1
TEXCO	TE	5.0	-	-	-
TRADEX	TE	-	2.4	3.6	4.3
<i>General investment measures</i>					
Development allowance	TE	58.9	51.9	47.2	40.1
<i>General R&D measures</i>					
Cooperative Research Centres	FI	9.0	11.4	8.8	8.3
CSIRO	FI	28.0	28.3	28.2	29.0
R&D Start & related programs	DFA	6.0	5.0	7.4	7.4
R&D tax concession	TE	22.9	24.0	22.4	16.5
<i>Total</i>		133.8	126.9	120.7	108.8
Motor vehicles and parts					
<i>Industry-specific measures</i>					
Automotive competitiveness and investment scheme	TE	-	321.0	555.0	574.0
Automotive market access and development	FI	7.7	4.8	4.9	2.9
Duty free allowance	TE	173.0	88.0	-	-
Investment incentive for holden	DFA	-	4.5	8.5	4.0
PMV export facilitation scheme	TE	348.0	363.0	-	-
<i>General export measures</i>					
Export Market Development Grants Scheme	DFA	1.8	2.2	2.1	2.1
TEXCO	TE	14.0	-	-	-
TRADEX	TE	-	63.9	95.6	116.1
<i>General investment measures</i>					
Development allowance	TE	12.8	11.3	10.3	8.7

Table A.3 (continued)

	Type ^a	99-00	00-01	01-02 ^b	02-03 ^b
<i>General R&D measures</i>					
Innovation investment fund	DFA	-	2.8	-	-
R&D Start & related programs	DFA	1.0	1.0	3.1	3.1
R&D tax concession	TE	28.3	29.6	27.6	20.4
<i>Total</i>		586.6	892.1	707.2	731.4
Other transport equipment					
<i>Industry-specific measures</i>					
Shipbuilding bounty	DFA	14.7	13.1	12.0	11.0
Shipbuilding innovation scheme	DFA	5.5	7.8	10.1	10.9
<i>General export measures</i>					
Export Market Development Grants Scheme	DFA	1.2	1.0	1.0	1.0
<i>General R&D measures</i>					
Cooperative Research Centres	FI	1.0	-	0.8	1.9
R&D Start & related programs	DFA	4.0	5.0	4.3	4.3
R&D tax concession	TE	78.2	81.8	76.4	56.4
<i>Total</i>		104.6	108.7	104.7	85.6
Other machinery and equipment					
<i>General export measures</i>					
Export Market Development Grants Scheme	DFA	15.4	14.7	14.8	14.8
TEXCO	TE	14.0	-	-	-
TRADEX	TE	-	4.9	7.3	8.9
<i>General investment measures</i>					
Development allowance	TE	1.0	0.9	0.8	0.7
<i>General R&D measures</i>					
Biotechnology innovation fund	DFA	-	-	-	0.1
Cooperative Research Centres	FI	20.0	23.8	22.4	19.3
CSIRO	FI	34.8	35.2	35.1	36.1
Innovation investment fund	DFA	5.3	-	-	-
Major national research facilities	FI	0.5	0.5	0.3	1.8
New Industries Development Program	FI	-	-	0.2	0.2
R&D Start & related programs	DFA	37.0	36.0	53.4	53.4
R&D tax concession	TE	43.9	45.9	42.9	31.7
<i>General measures</i>					
Wide Bay Burnett Structural Adjustment Program	DFA	-	-	0.2	0.4
<i>Total</i>		171.9	169.9	177.5	167.4
Other manufacturing					
<i>General export measures</i>					
Export Market Development Grants Scheme	DFA	5.8	9.2	8.1	8.1
TEXCO	TE	9.0	-	-	-
TRADEX	TE	-	12.0	18.0	21.8
<i>General R&D measures</i>					
Biotechnology innovation fund	DFA	-	-	0.1	0.4
R&D Start & related programs	DFA	11.0	14.0	18.4	18.4
R&D tax concession	TE	6.0	6.3	5.9	4.4

Table A.3 (continued)

	Type ^a	99-00	00-01	01-02 ^b	02-03 ^b
<i>General measures</i>					
Tasmanian Freight equalisation scheme	DFA	2.0	3.0	1.7	1.7
<i>Total</i>		33.8	44.6	52.2	54.8
Unallocated manufacturing					
<i>General export measures</i>					
Duty Drawback	TE	86.5	70.3	87.7	81.5
<i>General R&D measures</i>					
Technology Diffusion program	DFA	15.9	14.2	12.9	4.2
<i>General measures</i>					
Enterprise development program	FI	6.0	1.3	0.7	-
Small business capital gains tax exemption	TE	0.4	0.3	0.3	0.3
Tasmanian Freight equalisation scheme	DFA	28.0	35.0	32.8	32.3
<i>Total</i>		136.8	121.1	134.4	118.3
Total outlays		634.6	610.7	763.7	733.1
Total tax expenditures		1075.2	1313.9	1099.3	1062.9
Total Budgetary assistance		1709.6	1924.6	1862.9	1796.0

* Nil. Figures may not add to total due to rounding. ^a DFA: direct financial assistance; FI: funding to institutions; TE: tax expenditures. ^b 2001-02 data are Budget estimates and 2002-03 data are Budget appropriations.

Sources: Commonwealth Budget and Budget related papers (various years); departmental annual reports (various years); Treasury 2002; Commission estimates.

Table A.4 **Commonwealth budgetary assistance to the services sector, 1999-2000 to 2002-03**

\$ million

	Type ^a	99-00	00-01	01-02 ^b	02-03 ^b
Electricity, gas and water supply					
<i>Industry-specific measures</i>					
Renewable energy commercialisation	DFA	-	6.8	10.0	15.7
Renewable energy equity fund	DFA	2.7	2.8	3.4	2.5
<i>General export measures</i>					
Export Market Development Grants Scheme	DFA	0.2	0.4	0.4	0.4
<i>General investment measures</i>					
Development allowance	TE	6.4	5.6	5.1	4.3
Infrastructure bonds scheme	TE	44.0	31.0	13.0	10.5
Infrastructure borrowing's tax offsets scheme	TE	25.0	43.0	43.0	43.0
<i>General R&D measures</i>					
Cooperative Research Centres	FI	5.0	4.6	3.5	4.1
R&D Start & related programs	DFA	1.0	2.0	3.4	3.4
<i>Total</i>		84.2	96.2	81.8	83.9
Construction					
<i>General export measures</i>					
Export Market Development Grants Scheme	DFA	1.8	1.7	0.9	0.9
TRADEX	TE	-	0.6	0.9	1.1
<i>General R&D measures</i>					
Cooperative Research Centres	FI	-	-	1.5	2.0
CSIRO	FI	25.4	22.1	22.1	22.7
Innovation investment fund	DFA	-	2.5	1.2	3.2
R&D Start & related programs	DFA	1.0	1.0	3.7	3.7
R&D tax concession	TE	7.6	7.9	7.4	5.5
<i>General measures</i>					
Small business capital gains tax exemption	TE	1.7	1.2	1.2	1.4
<i>Total</i>		37.5	37.0	38.9	40.4
Wholesale trade					
<i>General export measures</i>					
Export Market Development Grants Scheme	DFA	13.4	13.2	12.4	12.4
TRADEX	TE	-	3.9	5.9	7.1
<i>General R&D measures</i>					
R&D Start & related programs	DFA	2.0	1.0	0.6	0.6
R&D tax concession	TE	17.7	18.5	17.3	12.7
<i>General measures</i>					
Small business capital gains tax exemption	TE	17.3	12.6	12.6	14.1
Wide Bay Burnett Structural Adjustment Program	DFA	-	-	0.2	0.3
<i>Total</i>		50.4	49.3	49.0	47.2
Retail trade					
<i>Industry-specific measures</i>					
Pharmacy restructuring grants	DFA	13.0	10.0	-	-
<i>General export measures</i>					

Table A.4 (continued)

	Type ^a	99-00	00-01	01-02 ^b	02-03 ^b
Australian Tourist Commission	FI	20.8	21.3	22.6	20.7
Export Market Development Grants Scheme	DFA	3.0	2.4	1.3	1.3
<i>General R&D measures</i>					
R&D Start & related programs	DFA	-	-	0.4	0.4
R&D tax concession	TE	2.5	2.6	2.4	1.8
<i>General measures</i>					
Eden Structural Adjustment	DFA	-	0.3	0.1	-
Small business capital gains tax exemption	TE	6.1	4.4	4.4	5.0
South West Forests Structural Adjustment	DFA	-	-	0.8	1.3
Wide Bay Burnett Structural Adjustment Program	DFA	-	-	-	0.1
<i>Total</i>		45.4	41.0	32.0	30.6
Accommodation, cafes and restaurants					
<i>General export measures</i>					
Australian Tourist Commission	FI	27.5	28.1	30.0	27.4
Export Market Development Grants Scheme	DFA	5.7	8.9	9.1	9.1
<i>General measures</i>					
Eden Structural Adjustment	DFA	-	0.4	0.2	-
Small business capital gains tax exemption	TE	7.5	5.5	5.5	6.1
South West Forests Structural Adjustment	DFA	-	-	0.4	0.6
Wide Bay Burnett Structural Adjustment Program	DFA	-	-	-	0.1
<i>Total</i>		40.7	42.9	45.2	43.4
Transport and storage					
<i>Industry-specific measures</i>					
Investment incentives to Asia pacific space centre	DFA	-	-	6.0	10.0
<i>General export measures</i>					
Australian Tourist Commission	FI	34.2	35.0	37.3	34.1
Export Market Development Grants Scheme	DFA	16.2	11.1	9.3	9.3
TRADEX	TE	-	1.6	2.4	2.9
<i>General investment measures</i>					
Development allowance	TE	15.4	13.6	5.1	10.5
Infrastructure bonds scheme	TE	41.0	29.0	12.0	9.5
Infrastructure borrowing's tax offsets scheme	TE	31.0	13.0	13.0	13.0
<i>General R&D measures</i>					
R&D Start & related programs	DFA	5.0	2.0	0.8	0.8
R&D tax concession	TE	3.2	3.4	3.2	2.3
<i>General measures</i>					
Small business capital gains tax exemption	TE	2.1	1.5	1.5	1.7
<i>Total</i>		148.1	110.2	90.6	94.2
Communication services					
<i>Industry-specific measures</i>					
Investment incentive to IBM	DFA	-	1.6	0.8	0.8
Software engineering centres	FI	3.9	6.5	3.3	2.0
<i>General export measures</i>					
Australian Tourist Commission	FI	1.2	1.2	1.3	1.2

Table A.4 (continued)

	Type ^a	99-00	00-01	01-02 ^b	02-03 ^b
Export Market Development Grants Scheme	DFA	1.1	2.0	1.2	1.2
<i>General investment measures</i>					
Development allowance	TE	17.5	15.4	14.0	11.9
<i>General R&D measures</i>					
Cooperative Research Centres	FI	2.0	3.0	5.6	8.2
CSIRO	FI	21.3	20.9	20.9	21.5
ICT centre of excellence	FI	-	-	3.0	7.3
Innovation investment fund	DFA	21.1	5.7	6.1	14.7
R&D Start & related programs	DFA	12.0	14.0	15.9	15.9
R&D tax concession	TE	6.5	6.8	6.4	4.7
<i>General measures</i>					
Small business capital gains tax exemption	TE	1.6	1.2	1.2	1.3
<i>Total</i>		88.2	78.2	79.7	90.7
Finance and insurance					
<i>General export measures</i>					
Export Market Development Grants Scheme	DFA	1.0	0.4	1.0	1.0
<i>General investment measures</i>					
Infrastructure borrowing's tax offsets scheme	TE	19.0	19.0	19.0	19.0
Offshore banking unit tax concession	TE	45.0	45.0	40.0	35.0
<i>General R&D measures</i>					
R&D Start & related programs	DFA	1.0	1.0	4.2	4.2
R&D tax concession	TE	36.1	37.7	35.2	26.0
<i>General measures</i>					
Small business capital gains tax exemption	TE	4.3	3.1	3.1	3.5
<i>Total</i>		106.4	106.2	102.5	88.7
Property and business services					
<i>General export measures</i>					
Export Market Development Grants Scheme	DFA	23.6	23.6	25.7	25.7
<i>General investment measures</i>					
Development allowance	TE	2.6	2.3	2.1	1.8
<i>General R&D measures</i>					
Biotechnology innovation fund	DFA	-	-	2.2	7.1
Cooperative Research Centres	FI	3.0	3.6	4.7	5.6
Innovation investment fund	DFA	-	0.4	15.0	36.3
R&D Start & related programs	DFA	22.0	28.0	40.4	40.4
R&D tax concession	TE	58.0	60.7	56.7	41.8
<i>General measures</i>					
Small business capital gains tax exemption	TE	6.6	4.8	4.8	5.4
Wide Bay Burnett Structural Adjustment Program	DFA	-	-	0.1	0.2
<i>Total</i>		115.8	123.4	151.6	164.3
Government administration and defence					
<i>General R&D measures</i>					
R&D Start & related programs	DFA	1.0	1.0	0.8	0.8
<i>Total</i>		1.0	1.0	0.8	0.8

Table A.4 (continued)

	Type ^a	99-00	00-01	01-02 ^b	02-03 ^b
Education					
<i>General export measures</i>					
Australian Tourist Commission	FI	1.0	1.1	1.1	1.0
Export Market Development Grants Scheme	DFA	8.7	8.7	8.4	8.4
<i>General R&D measures</i>					
R&D Start & related programs	DFA	7.0	4.0	2.2	2.2
R&D tax concession	TE	1.4	1.4	1.3	1.0
<i>Total</i>		18.1	15.2	13.0	12.6
Health and community services					
<i>General export measures</i>					
Export Market Development Grants Scheme	DFA	0.8	0.4	0.5	0.5
<i>General R&D measures</i>					
Biotechnology innovation fund	DFA	-	-	1.1	3.6
Cooperative Research Centres	FI	13.0	12.8	13.3	13.4
Innovation investment fund	DFA	-	-	0.6	1.3
R&D Start & related programs	DFA	12.0	18.0	21.6	21.6
R&D tax concession	TE	2.2	2.3	2.2	1.6
<i>General measures</i>					
Small business capital gains tax exemption	TE	1.1	0.8	0.8	0.9
Wide Bay Burnett Structural Adjustment Program	DFA	-	-	0.1	0.2
<i>Total</i>		29.1	34.3	40.1	43.1
Cultural and recreational services					
<i>Industry-specific measures</i>					
Australian film commission	DFA	16.5	16.5	16.7	20.5
Australian film finance cooperation	DFA	48.0	48.0	50.0	57.5
Film industry tax incentives	TE	20.0	17.0	16.0	16.0
<i>General export measures</i>					
Australian Tourist Commission	FI	4.0	4.1	4.4	4.0
Export Market Development Grants Scheme	DFA	7.3	8.2	10.6	10.6
<i>General R&D measures</i>					
Cooperative Research Centres	FI	2.0	2.3	2.4	2.4
Innovation investment fund	DFA	-	-	0.6	1.3
R&D Start & related programs	DFA	1.0	1.0	0.8	0.8
R&D tax concession	TE	8.6	8.6	8.4	6.2
<i>General measures</i>					
Eden Structural Adjustment	DFA	-	0.2	0.1	-
Small business capital gains tax exemption	TE	0.7	0.8	0.8	0.6
South West Forests Structural Adjustment	DFA	-	-	0.4	0.7
Wide Bay Burnett Structural Adjustment Program	DFA	-	-	0.2	0.3
<i>Total</i>		108.1	106.7	111.4	121.0
Personal and other services					
<i>General export measures</i>					
Export Market Development Grants Scheme	DFA	1.0	1.1	1.2	1.2
<i>General R&D measures</i>					

Table A.4 (continued)

	Type ^a	99-00	00-01	01-02 ^b	02-03 ^b
R&D Start & related programs	DFA	2.0	4.0	2.7	2.7
<i>General measures</i>					
Small business capital gains tax exemption	TE	1.0	0.7	0.7	0.8
<i>Total</i>		4.0	5.8	4.6	4.7
Unallocated services					
<i>Industry-specific measures</i>					
Building IT strengths	DFA	39.5	6.0	41.2	17.3
<i>General export measures</i>					
Australian Tourist Commission	FI	1.2	1.2	1.3	1.1
<i>General R&D measures</i>					
CSIRO	FI	9.0	9.8	9.8	10.1
R&D Start & related programs	DFA	2.0	1.0	-	-
<i>Total</i>		51.7	18.0	52.3	28.5
Total outlays		468.1	438.9	524.7	564.0
Total tax expenditures		460.7	426.5	368.6	330.0
Total Budgetary assistance		928.8	865.4	893.3	894.0

- Nil. Figures may not add to total due to rounding. ^a DFA: direct financial assistance; FI: funding to institutions; TE: tax expenditures. ^b 2000-01 data are Budget estimates and 2001-02 data are Budget appropriations.

Sources: Commonwealth Budget and Budget related papers (various years); departmental annual reports (various years); Treasury 2002; Commission estimates.

Table A.5 **Commonwealth budgetary assistance, Unallocated other^a, 1999-2000 to 2002-03**

\$ million

	Type ^b	99-00	00-01	01-02 ^c	02-03 ^c
<i>General export measures</i>					
Austrade	FI	147.6	163.2	170.8	158.8
Export access	FI	4.0	3.0	3.0	5.0
Tourist programs	FI	7.0	-	10.5	1.1
<i>General investment measure</i>					
Invest Australia	FI	15.0	14.0	14.0	11.0
Regional headquarters program	TE	2.0	2.0	1.0	1.0
<i>General R&D measures</i>					
Biotechnology Australia	FI	6.0	4.0	2.3	2.0
Biotechnology centre of excellence	FI	-	-	0.8	3.6
Commonwealth technology park	FI	3.0	8.0	11.5	-
Major national research facilities	FI	1.5	1.6	1.1	6.1
Premium R&D tax concession	TE	-	-	40.0	105.0
Preseed fund	FI	-	-	-	14.2
<i>General measures</i>					
Clean food production program	FI	1.0	1.0	-	-
Funding for small business during tourism downturn	DFA	-	-	15.5	1.1
Further tourism promotion	DFA	-	-	5.0	-
Pooled development funds	TE	5.0	8.0	11.0	16.0
Regional assistance program	DFA	42.4	46.8	24.1	24.5
Small business participation in major projects	FI	-	-	3.0	-
Total outlays		227.5	242.1	261.6	227.5
Total tax expenditures		7.0	10.0	52.0	122.0
Total Budgetary assistance		234.5	252.1	313.6	349.5

- Nil. Figures may not add to total due to rounding. ^a Include programs or amounts of funding where the industry is not stated or recipients are unknown. ^b DFA: direct financial assistance; FI: funding to institutions; TE: tax expenditures. ^c 2001-02 data are Budget estimates and 2002-03 data are Budget appropriations. ^d Austrade has informed the Commission that it no longer resembles data on the industries benefiting from its export promotion activities. Thus the commission has discontinued allocating Austrade assistance to individual industries.

Sources: Commonwealth Budget and Budget related papers (various years); departmental annual reports (various years); Treasury 2002; Commission estimates.

B State and Territory budgetary assistance estimates

B.1 Introduction

Under Australia's federal system, State and Territory governments (hereafter 'the States') have constitutional responsibility for a number of functions that affect the development of businesses and industries in Australia. They supply or regulate many essential services and plan and fund much general infrastructure. They develop and enforce many forms of social, economic and environmental regulation that affect business practices, and they levy taxes on land, payrolls and the like. And they are responsible for the delivery of public health care, schooling, vocational education and other community services that affect the human side of economic development and the attractiveness of a state or territory as a place for doing business. Thus, the role of State governments in industry and economic development differs in some important ways from that of the Commonwealth.

As part of their activities, State governments also provide significant selective assistance to business and industries in all sectors of the economy. The States operate a number of programs that are designed specifically to enhance business and industry development. Some assistance also arises incidentally, as a by-product of the pursuits of goals not directly related to industry development, such as in social, cultural or environmental policies.

Budgetary assistance to industry, which is a key form of assistance at the State and Territory level, is delivered in a variety of ways. It includes various grants and loans, tax concessions, subsidies for research, promotional activities or staff training, as well as support to help industry adjustment. Local producers may also benefit from subsidised infrastructure or services provided by the government free of charge, such as information, advice and the facilitation of planning approvals.

To provide an indication of the extent and nature of this assistance, for this year's *Trade & Assistance Review* the Commission has prepared estimates of State government budgetary assistance to industry, for the years 2000-01 and 2001-02. Similar estimates were last published as part of the Industry Commission's 1996

inquiry into *State, Territory and Local Government Assistance to Industry* (IC 1996), which included estimates for the years 1994-95, 1995-96 and 1996-97.¹

Measuring State budgetary assistance to industry is not straightforward. There is no universally agreed definition of government assistance to industry — the concept can be defined narrowly or broadly. A further problem is that the level of information that is publicly available about particular government programs varies from jurisdiction to jurisdiction. It also varies between portfolios within jurisdictions, and sometimes between different programs within particular portfolios. This hinders consistency in measurement and makes it difficult in some cases to determine whether, and to what extent, a particular program falls within the adopted definition of assistance.

In its 1996 inquiry, the Industry Commission expended considerable effort in determining whether particular State budgetary programs provided assistance to industry. It undertook a number of rounds of consultation with State governments and their officials, it received additional information from other inquiry participants, and it obtained further feedback on its methodology and estimates through its draft report process.

For the estimates in this *Review*, the Commission has adopted as its starting point the definition of industry assistance, and the general classification of programs that provide State assistance to industry, from the 1996 inquiry. To differentiate between ‘core’ industry assistance programs and other programs that provide incidental assistance to industry, the Commission has further classified the different programs in the estimates according to their principal objective. The Commission has also attempted to classify the programs according to the sector they benefit. Finally, the Commission has included estimates of the extent of payroll tax concessions provided for businesses by the States.

The estimates and classifications have been derived mainly from information in State and Territory budget papers. Where available, information has also been incorporated from the annual reports of State government departments, Auditor-General reports and AusIndustry’s business information service. The Commission circulated a draft of its budgetary outlay estimates, and later its program classifications, to State Treasuries for feedback. In turn, in most cases the Treasuries consulted with officials in the relevant government agencies in their jurisdiction.

¹ The Commission has decided not to update its estimates for assistance provided by local governments, which were relatively small (\$220 million in 1994-95) and resource-intensive to compile.

While the estimates aid transparency and can facilitate broad comparisons between jurisdictions, data and informational limitations mean that the estimates should be treated only as indicative. For example, as discussed below, some forms of assistance that may appear in the budget statements of one jurisdiction will not necessarily appear in the budget statements of another, at least not in a form that is readily discernable and quantifiable. The Commission has also encountered problems in obtaining expenditure information for some portfolios or programs at a sufficient level of disaggregation to allow it to make precise estimates of the sectoral allocation of assistance and, in some cases, the allocation of assistance according to the principal objective of the program that delivers the assistance. In such cases, the funding generally² has been allocated to the sector or objective category deemed to be the predominant recipient of the program's assistance. It should also be noted that classifying a particular program as providing industry assistance does not, of itself, indicate the policy merits or demerits of the program.

In this appendix, the Commission:

- defines assistance and discusses the coverage of the estimates (section B.2);
- presents data on State budgetary outlays, in summary form (section B.3); and
- provides estimates of the revenue forgone from State payroll tax concessions to businesses (section B.4).

Detailed State-by-State estimates are provided in appendices C to J.

B.2 Coverage and classifications

Definition of industry assistance

Under section 10(6) of the *Productivity Commission Act 1998*³, industry assistance is defined as:

... any act that, directly or indirectly: (a) assists a person to carry on a business or activity, or confers a pecuniary benefit on; or (b) results in a pecuniary benefit accruing to, a person in respect of carrying on a business or activity.

² In the case of the estimates for New South Wales, there are significant gaps in the funding data available at the sub-program level for the State Development portfolio. The Commission used program criteria and descriptions, and information in Public Accounts Committee reports, to derive a rough estimate for the purposes of allocating of the sub-programs' funding between the regional and general industry development objectives classifications.

³ A similar definition of industry assistance was contained in the *Industry Commission Act 1989*.

The Commission's assistance estimates focus on those government measures that support business or industries in a *selective* manner. Selective assistance includes measures that promote individual firms or particular projects (for example, firm-specific investment incentives or assistance for special events) and, more broadly, measures that encourage the development of an industry or sector (for example, the exemption of certain mining activities from paying a generally applied mineral royalty). In other cases, selective assistance can favour certain firms on the basis of their characteristics, such as size (for example, small business funding and payroll tax concessions), location (for example, regional assistance), or the particular activities they undertake (for example, R&D or exports).

Industry coverage

For the purposes of its assistance estimates, the Commission interprets 'industry' broadly to include any economic activity of organisations or individuals. Thus, in accordance with section 10(3) of the *Productivity Commission Act 1998*, industry thus includes not only 'traditional' goods industries such as agriculture, manufacturing and mining, but also services industries such as retailing, banking, construction, tourism, professional sports, entertainment and the arts.

Excluded from the coverage of the estimates in this report are government expenditures on:

- health, education, welfare and governance;
- general infrastructure provision (although infrastructure spending is included where it clearly relates to a particular project or industry/activity);
- recreational, amateur and community sport (although spending on professional sports and events is included); and
- libraries, zoos and botanic gardens (although expenditure on art galleries and museums, film production and other arts support is included).

Components of expenditures

The estimates of State budgetary assistance are measured as government outlays on assistance programs or 'outputs' *excluding* user charges, industry contributions and Commonwealth grants.

In compiling the estimates, the Commission has sought to:

- include both the assistance provided and, where identifiable, the administrative costs of providing such assistance;
- exclude expenditure related to the policy areas of government departments;

-
- exclude expenditure related to contracting out on the basis that, of itself, it does not represent assistance but is rather a ‘business’ decision of government. Only where contracting out contains conditions relating to local sourcing or other ‘economic development’ goals would an element of assistance be attributed to such arrangements; and
 - exclude expenditure on the general regulatory functions of government (but include government regulatory expenditures in relation to a few industries, such as mining, which benefit from special provisions in the application of occupational health and safety and environmental regulation, on the basis that this represents an additional cost to society resulting from these industries that should be reflected in the cost and pricing structure of the mining industry.)

Assistance arrangements not covered

For the current exercise, the Commission has not measured all possible State assistance arrangements, especially where they do not involve budgetary outlays. The availability of suitable data on a consistent basis across different jurisdictions precludes such an exercise, and in some cases it can be difficult to detect arrangements that provide assistance without detailed investigation of a particular scheme in its business and industry setting.

The assistance arrangements that are not covered in the current exercise include:

- Victoria’s flexible electricity tariff management arrangement, which provides a subsidy (estimated at \$150 million per year) to aluminium smelters in that State and is financed by a levy on Victorian electricity consumers, rather than from the budget (Victorian Auditor-General 2002b);
- tax (other than payroll) concessions — such as land tax and stamp duty exemptions which are reported in the budget papers of some States but not in others; and
- State regulations and arrangements that restrict competition.⁴

It should also be noted that the Commission’s assistance estimates exclude a range of government expenditures that might commonly be seen as supporting or promoting industry development. For example, the Commission excludes expenditure on the provision of general infrastructure, such as road funding. It has also excluded the significant subsidies that the South Australian and Northern

⁴ Some of these arrangements, relating to agriculture, are captured in the Commission’s national assistance estimates (section 3.4 in chapter 3). Others, such as regulations applying to the professions in each jurisdiction, are captured in the Commission’s estimates of restrictions on trade in services (section 3.5).

Territory Governments have provided for the Adelaide to Darwin rail link — some \$225 million in 2000-01 — notwithstanding the local industry development rationales put forward in support of those subsidies.

Classification of sectoral incidence

To provide an indication of the industry incidence of State budgetary assistance, the Commission has classified the estimates using the basic four sector classification of the economy that it uses for its national assistance estimates, together with a residual. The sectoral categories are:

- primary production — agriculture, fisheries and forestry;
- mining;
- manufacturing;
- services; and
- unallocated.

Given the goals of the current exercise, the Commission deemed that it would not be worthwhile to attempt to disaggregate the estimates further — for example, into the 36 industry groupings for which the Commission compiles its national estimates.

Classification of program objectives

The programs contained in the Commission's estimates have a range of objectives. Some of the programs have multiple objectives and, in some cases, the objectives or the priority given to different objectives is not immediately clear.

To differentiate between 'core' industry assistance programs and other programs that provide incidental assistance to industry, the Commission has classified the different programs in the estimates according to their principal objective.

Industry development programs

The assistance programs in this category are defined as those with the principal objective of supporting, maintaining or expanding an industry's (or industries') production or value. The definition includes programs that focus on supporting, maintaining or expanding the production level or value of particular projects or businesses within an industry or industries.

Examples of programs that fall within this definition are:

- export market development programs;
- tourism marketing programs; and
- general funding of research and development activities.

Regional industry development programs

Assistance programs in this category are defined as those programs with the principal objective of industry development (as described above) in regional areas only. ‘Regional areas’ in this context refers to areas outside the main urban/metropolitan centre in each state.

Examples of programs that fall within this definition are:

- investment incentives for regional development;
- regional tourism marketing programs; and
- regional business networking programs.

In these cases, the primary aim could be considered to be industry development, or it could be considered to be regional development or decentralisation. Even where the latter objective predominates, such programs can be considered to be ‘core’ industry assistance programs.

Not all programs with a ‘regional’ flavour fall into this category. Some programs may be regionally focused but may have an ‘other’ objective — for example, funding for regional art galleries has a predominantly cultural objective.

Further, some programs that are aimed at industry development have a regional effect due essentially to the location of the target industry. For example, assistance to the agriculture or mining industries has its main effect in regional areas. However, on the basis that this primarily reflects the location of the industry, rather than a regional development objective, the Commission has allocated such programs to the general industry development category.⁵

For programs that provide project- and firm-specific assistance, it can be difficult to determine whether the assistance has a general industry development objective or a regional industry development objective, as sometimes regional considerations are

⁵ Conceptually, one test of whether an assistance program has a predominantly ‘regional development’ objective is whether the recipients of the assistance would still be entitled to that assistance under the program’s criteria if, hypothetically, they were engaged in the activity in a metropolitan area, rather than in a regional area

one of the criteria considered by governments in assessing applications for such assistance. However, unless there is a clear indication that the focus of the program is to develop industry in regional areas, it has been allocated to the general industry development category.

‘Other’ and ‘not classified’ programs

This residual category contains programs that have the effect of assisting industry but are deemed not to have general or regional industry development as their primary objective. Rather, in these cases, industry assistance arises as a by-product of pursuit of an ‘other’ objective by government, such as preventing personal injury, protecting the environment and promoting a more equitable society.

Examples include:

- government funding of art galleries, museums and some film production — which can be classed as having a primary objective that is cultural;
- government funding of occupational health and safety regulatory services in relation to the operation of mines — which may be seen as having a primary objective of reducing death and injury; and
- programs intended to promote the advancement of members of disadvantaged groups within the workplace or business world — which may be seen as having a primary objective of equity.

This category also includes programs that are ‘not classified’. These are programs for which the Commission has not determined, with reasonable confidence, whether the program has an industry development, regional industry development or ‘other’ principal objective.

Thus, the ‘other or not classified’ category contains:

- some programs with industry development or regional industry development as their principal objective (but which has not been ascertained with reasonable confidence); and
- all programs with an ‘other’ principal objective.

Some 'special' cases

Professional sport, events and the arts

The Commission's estimates include government expenditures on professional sports as well as the funding of high-profile 'events' and 'games' and associated facilities. The staging of events in many Australian states and territories is often carried out by government-owned companies or agencies, such as the Queensland Events Corporation and the Canberra Events and Tourism Corporation, often with industry or economic development as a key goal or justification for public expenditure on the events. While such events may generate an array of benefits, including non-economic benefits, the public funding of such events nevertheless provides assistance to industries such as tourism. In terms of their principal objectives, the Commission has included all assistance to professional sports and events in the 'other and not classified' category. However, where governments have established separate programs, such as the NSW Olympic Business Roundtable Program, specifically to leverage business and investment activity from the staging of events, those programs have been classed as having an 'industry development' objective.

The Commission's estimates of State assistance include a range of programs that support the arts industry. They include programs that directly subsidise producers of art works and films, and expenditure on art galleries and museums. The funding accounts for around 20 per cent of the total estimates, of which just under half funds the major metropolitan art galleries and museums.

The funding is included in the estimates partly on the basis that museums and art galleries provide assistance to the tourism industries. International tourists make up around a quarter of total visitors to art galleries and major museums (Casey and Werner 2001), and visits to major museums are often incorporated into tourist package tours. Domestic visits to museums are also counted as tourism.⁶

Publicly-funded activities undertaken by museums and art galleries can also add to the income of artists and commercial art galleries, and influence the demand for certain art works. The recent Report of the Contemporary Visual Arts and Craft Inquiry (Myer 2002, 207-210) found that functions performed by art galleries and museums are 'a vital mechanism to support and promote contemporary visual art and craft work'. The Industry Commission's 1996 inquiry also documented some

⁶ The ABS defines tourism broadly to include any visits by people for leisure purposes. According to this definition, most visits to museums and art galleries can be identified as relating to tourism.

examples of art industry development policies — such as the Arts 21 program in Victoria — which include funding of museums and art galleries at the State level.

Nevertheless, a proportion of this expenditure could well be excluded because, for example, it might be deemed to have only educative or non-economic effects. This highlights the grey areas that can emerge when attempting to define industry assistance and classify programs accordingly.

For the present exercise, the Commission has followed the approach taken in the Industry Commission's 1996 inquiry of including all such funding in its estimates. The Commission intends to explore the nature and effects of government support to the arts sector (and professional sport) in more detail in a separate research project next year.

Resource management programs

Grey areas can also emerge in relation to some government programs that involve resource management issues.

The estimates exclude expenditure related to the administration and management of State-owned resources such as minerals and forests (for example, resource assessment including expenditure on mapping and exploration). The benefits from these activities could be expected to be incorporated in State royalty receipts.

On the other hand, the estimates do include expenditure on information gathering and the management of fisheries. As the benefits of these activities accrue to the participants in the industry, the taxpayer funding of them is considered assistance to the industry. Some agricultural programs also have a resource management component.

The total value of the programs with a resource management component included in the estimates was around \$330 million in 2001-02.

In relation to the programs' objectives, while the expenditures included in the estimates have generally been necessitated by the previous operation of the primary production industries, it could be argued that these programs have a primarily 'environmental' objective and thus should be categorised as 'other' programs. However, on the basis that the principal objective underlying the resource management is 'to support, maintain or expand the extent of an industry's or industries' production level or value', albeit over the longer-term, the Commission has categorised these programs as industry development programs.

B.3 Budgetary outlays

The Commission's estimates of State budgetary outlay assistance to industry, based on the foregoing definitions, classifications and methodology, are summarised below. Comprehensive tables for each State, setting out the details of the outlays included in the estimates, are provided in appendices C to J.

Total outlays

The estimates indicate that State and Territory governments together outlaid around \$3 billion in 2000-01, and \$3.3 billion in 2001-02, on programs that provide assistance to industry (table B.1). As indicated earlier, some relatively minor tax concessions are included in these figures.

Table B.1 **State budgetary assistance outlays, by jurisdiction, 2000-01 and 2001-02**
\$ million

	2000-01	2001-02
New South Wales	829	751
Victoria	543	778
Queensland	624	732
Western Australia	383	375
South Australia	320	374
Tasmania	116	121
Australian Capital Territory	38	54
Northern Territory	132	126
Total	2 986	3 310

Source: Commission estimates.

Objectives

Of the total figure for 2001-02, at least \$1.9 billion was directed to programs with a general industry development objective (table B.2). The actual figure may be larger as some of the programs in the 'other and not classified' category may have industry development objectives.

A further \$173 million was directed to programs classified as having a regional industry development objective. This estimate should also be considered to be a lower bound, for two reasons.

- First, as with the general industry development programs, some regional industry development programs may have been placed in the ‘other and not classified’ category.
- Second’, and more significantly, the way the regional industry development category has been defined, in conjunction with the way the Commission has classified various programs, means that some significant assistance expenditures that support regional industries have been excluded from the category.

Were spending on primary production and mining to be included in this category, the total expenditure on regional industry development would have amounted to some \$1.3 billion in 2001-02.

The estimates also include \$1.2 billion of programs for which the principal objective of the program is unclear, or for which industry assistance arises incidentally in the pursuit of an ‘other’ objective, such as an environmental, cultural or equity goal.

Table B.2 State and Territory budgetary assistance outlays, by objectives, 2000-01 and 2001-02
\$ million

	2000-01	2001-02
General industry development	1 721	1 942
Regional industry development	116	173
Other or not classified	1 149	1 196

Source: Commission estimates.

Sectoral incidence

In relation to the sectoral incidence of assistance, the Commission has had place a number of programs in the ‘unallocated’ category due to difficulties in locating sufficient information on the program beneficiaries. The Commission received little feedback from State Treasuries in relation to this aspect of the draft estimates that it circulated for comment.

Even so, the clear majority of program funding covered in the estimates is directed towards the services sector — some \$1.5 billion in 2001-02 (table B.3). Of this, at least \$360 million was industry assistance delivered through general or regional industry development programs (table B.4), mostly for tourism. However, most of the programs included in the estimate for services have ‘other or not classified’ objectives. These include programs directed towards the arts industry and major professional sporting events.

Primary production attracted almost \$1 billion of industry assistance from State outlays in 2001-02. Although less in dollar terms than the estimates for the services sector, this assistance represents substantially more as a proportion of sectoral gross product.

The mining sector receives little assistance from State government outlays.

The estimates also record little assistance for the manufacturing sector, but these figures are likely to be an underestimate. This is because a number of the programs in the ‘unallocated’ category appear likely to predominantly assist businesses and industries in the manufacturing sector, along with some businesses in parts of the services sector. Most of these programs come under the ambit of the relevant State departments with responsibility for ‘industry’ or ‘state development’. These departments generally have a limited role in relation to the provision of assistance to the mining and primary production sectors, which have their own, dedicated agencies. Further, the limited information publicly available on program beneficiaries suggests that a significant proportion of the companies and industries assisted by these departments involve manufacturing operations. Were three quarters of the unallocated category to assist manufacturers, the total for the sector would be around \$600 million in 2001-02. By the same token, were just half of the unallocated category to assist the manufacturing sectors, its total would be around \$430 million in 2001-02.

Table B.3 State and Territory budgetary assistance outlays, by sector, 2000-01 and 2001-02
\$ million

	<i>2000-01</i>	<i>2001-02</i>
Primary production	918	971
Mining	121	136
Services	1 360	1 438
Manufacturing	58	93
Unallocated ^a	529	673

^a The category includes a number of programs in which there were limited information available about beneficiaries of assistance. This has precluded allocating the programs to a particular sector.

Source: Commission estimates.

Table B.4 State and Territory budgetary assistance outlays, by sectors and objectives, 2000-01 and 2001-02 (\$ million)

	2000-01	2001-02
Primary production	918	971
– General industry development	906	959
– Regional industry development	2	1
– Other or not classified	9	11
Mining	121	136
– General industry development	54	62
– Regional industry development	..	..
– Other or not classified	66	74
Services	1 360	1 438
– General industry development	318	358
– Regional industry development	1	1
– Other or not classified	1 041	1 079
Manufacturing	58	93
– General industry development	58	93
– Regional industry development	..	..
– Other or not classified	..	..
Unallocated ^a	529	673
– General industry development	384	471
– Regional industry development	112	170
– Other or not classified	33	32

^a The category includes a number of programs in which there were limited information available about beneficiaries of assistance. This has precluded allocating the programs to a particular sector.

Source: Commission estimates

B.4 Tax concessions

In addition to budgetary outlays, State governments also provide industry assistance through concessional arrangements to the taxes they levy.

Types of concessions

State governments provide concessional arrangements to firms, usually large and ‘footloose’ firms, on a case-by-case basis after negotiations between the firm and the government. This firm-specific assistance primarily takes the form of tax holidays, concessional rates or rebates to State taxes, most notably to land and payroll taxes, and are usually phased out after a specified period of time. In

addition, the value of the concession may be conditional on the firm meeting agreed targets (eg the number of jobs created) and can give rise to ‘contingent liabilities’, where the actual amount of the future concession is unknown but capped at some maximum level. As noted earlier, some of these concessions are recorded along with the outlays data set out in the previous section, although they are not identified separately. Indeed, details of these firm-specific assistance arrangements are nearly always kept confidential.⁷

Industry also benefits from across-the-board concessional tax arrangements that apply to all firms (eg tax-free thresholds) or those engaged in particular activities (eg social welfare activities). Even though they apply to all firms, the presence of the tax-free threshold effectively discriminates among firms on the basis of size, as it causes the average effective tax rate to increase with the size of the payroll.⁸ The latter concessions favour firms in the social-welfare related industries. The Commission does not include these in its assistance estimates.

A general tax threshold is justified at some level because of the administration and compliance costs involved in collecting the tax, particularly small amounts of tax from a very large number of small businesses. Up to some point, these costs will outweigh the revenue collected.

However, the levels at which the general tax thresholds are presently set (table B.5) are hard to justify on those grounds (see box B.1).

Estimates of tax revenue foregone

A number of State budget papers publish estimates of the tax revenue foregone from exemptions to their taxes (table B.6). By their own estimates, the amount of revenue foregone is substantial. However, the coverage and detail of the costing of tax revenue foregone varies considerably among States. For example, New South Wales does not cost the revenue foregone from its tax-free threshold. Victoria has estimated that the same exemption reduced its payroll tax revenue by \$1.4 billion (Victorian Government 2001, 311). Thus, the estimates in the budget provide an incomplete picture of the amount of revenue foregone. The extent of this incompleteness varies between States.

⁷ The ACT is a notable exception, as it publishes the details of the tax concessions it grants in the annual report of the Chief Minister’s Department (2001, 125-7).

⁸ Firms with a payroll less than the tax-free threshold are exempt from payroll tax, while firms with a payroll above the threshold pay tax on the amount exceeding the threshold (table B.5). The payroll tax schemes in Queensland and Western Australia effectively ‘claw back’ the tax-free threshold so that, above a certain level, tax is payable on the entire payroll. Hence, larger firms pay proportionately more tax on their payroll than do smaller firms, many of which pay none.

Box B.1 **Are existing payroll tax thresholds tax-efficient?**

In its simplest form, an efficient payroll tax threshold will equate the marginal revenue foregone at the threshold with the marginal cost of collecting that revenue. Given that collection costs are positive, some form of tax-free threshold will be efficient.

To illustrate, the payroll tax threshold in New South Wales — which is broadly representative of those in other states — was \$600 000 in 2000-01 with an average marginal tax rate for the financial year of 6.30 per cent (table B.5). This means that the revenue foregone per firm at the threshold was \$37 800 (ie \$600 000 x 6.30%).

Collection costs consist of:

- the compliance costs incurred by firms in meeting their legal obligations; and
- the costs incurred by the government in collecting the revenue.

The average cost to firms of meeting their payroll tax obligations varies significantly. Most of the studies reviewed by Commission staff (Lattimore 1998, 30) found compliance costs of between \$1000 to \$5000 per firm for firms employing less than 20 employees, a figure roughly equating to a payroll of \$600 000.

The administration costs of collecting payroll tax are relatively low. The NSW Budget Papers allocated \$10.7 million to collect \$4515 million of payroll tax revenue in 2000-01 (NSW Government 2001, 19-37—19-38). This translates into an average collection cost of \$2.35 per \$1000 of payroll tax revenue.

If the tax-free threshold was lowered, the average collection costs for each additional taxpayer would undoubtedly be higher due to higher additional processing and enforcement costs per extra dollar of revenue obtained. However, in the absence of suitable data, it is unclear how much higher they would be. Were they 10 times the current average for smaller firms, administration costs would still be in the order of \$25 per \$1000 of revenue collected. On this basis, the administration cost on the payroll tax revenue foregone at the tax-free threshold would be less than \$1000 per firm.

Thus, conservative interpretations of the available evidence suggest that total collection costs on a payroll of \$600 000 are likely to be in the order of \$6000 per firm, considerably less than the \$37 800 revenue foregone at the threshold. This suggests that the payroll tax threshold is considerably higher than could be justified on tax-efficiency grounds.

Although beyond the scope of this study, a more comprehensive assessment of an efficient payroll tax threshold would also take into account:

- the effect of payroll tax on labour supply and labour demand;
- any production inefficiencies flowing from the non-neutral treatment of firms of different sizes; and
- the welfare losses associated with other State taxes which potentially could be reduced were the payroll tax threshold increased.

Source: Estimates based on NSW Government (2001) and Lattimore (1998).

Table B.5 Payroll tax regimes, 2000-01

<i>State/Territory</i>	<i>Type of scheme</i>	<i>Tax-free threshold</i>	<i>Maximum marginal tax rate</i>
New South Wales	Single marginal rate	\$600 000	6.40% (from 1 Jun 2000) 6.20% (from 1 Jan 2001)
Victoria	Single marginal rate	\$515 000	5.75%
Queensland	Deduction system	\$850 000	4.90%
South Australia	Single marginal rate	\$456 000	6.00%
Western Australia	Marginal rates	\$675 000	5.56% ^a
Tasmania	Single marginal rate	\$606 000	6.53%
Northern Territory	Single marginal rate	\$600 000	6.60%
Australian Capital Territory	Single marginal rate	\$850 000	6.85%

^a Rate applying to payrolls exceeding \$5.625 million.

Source: NSW Treasury (2001, 12).

To provide an upper bound on the extent of industry assistance from these exemptions, the Commission has calculated an alternative estimate of the payroll tax revenue foregone from businesses other than those in the social welfare sector. To this end, it has compared the actual amount of payroll tax collected by the States from the relevant industries with the revenue that they could have raised without the exemptions and concessions.⁹ This process updates the payroll tax revenue estimates for 1993-94 published in the 1996 report (IC 1996, 12). (Those estimates focused only on payroll tax revenue foregone, because the exemptions associated with other taxes have less of an industry assistance focus and are harder to cost.) The resulting estimates indicate that the tax revenue foregone from payroll tax in 2000-01 was approximately \$5 billion (table B.7), only marginally higher than the States' own estimates (table B.6).¹⁰ This represents an increase of around 60 per cent in nominal terms over the equivalent figure for 1993-94 (table B.8).

This increase is predominantly due to growth in wages and salaries, and thus the potential tax take, rather than changes in the rate of State tax concessions. The States have benefited from strong growth in the payroll tax base, which grew by 45 per cent in nominal terms over the same period.¹¹ This has enabled them to raise

⁹ The payroll tax bases used are the ABS estimates of employee compensation in all non-social welfare industries (ABS 2001). The exclusion of all social welfare industries — defined here to be *Government administration and defence, Education and Health and community services* — may understate the size of the payroll tax base as the for-profit part of these industries are often subject to payroll tax. Hence, the true revenue cost of the general exemptions may be higher and the revenue cost of the social welfare exemptions lower than suggested.

¹⁰ The social welfare exemptions are estimated to cost an additional \$7.7 billion Australia-wide.

¹¹ This growth in the tax base varied between States with the Northern Territory and Queensland experiencing the strongest growth, while Tasmania and South Australia experienced the weakest growth.

additional revenue despite raising the tax-free threshold and lowering the marginal tax rates. Had the States kept the same payroll tax rates in place as they had in 1993-94, they could have collected an addition \$1.5 billion from non-social welfare payrolls in 2000-01 (table B.9).

Table B.6 Budget estimates of payroll tax revenue foregone, 2000-01^a
\$ million

<i>Exemption</i>	<i>NSW</i>	<i>Vic.</i>	<i>Qld</i>	<i>SA</i>	<i>WA</i>
Social welfare ^a	523.2	363.0	197.2	108.0	6.5
General business exemptions ^b	na	1 441.0	691.1	240.3	517.0
Design of payroll tax system ^c	122.5	120.0	75.0	na	14.5
Total revenue foregone	645.7	1 925.0	963.9	357.6	538.0
Payroll tax revenue collected ^d	3,981	2,540	1,170	570	833
Potential payroll tax revenue	4,627	4,465	2,134	928	1,371
Share of potential revenue (%)	14.0	43.1	45.2	38.6	39.2

^a Exemptions costed in budget paper have been grouped into the three categories of exemptions listed. Tasmania, the Northern Territory and the ACT do not publish comparable estimates. ^b Exemptions applying to hospitals, local government, education, philanthropic institutions and employment assistance. ^c Revenue foregone from the definition of payroll, the cost of operating a deduction scheme (Queensland only) and the exclusion of Commonwealth Government departments and agencies from payroll tax. ^d Actual payroll tax revenue collected as published by the ABS.

Source: NSW Government (2001, B-15–B.16); Victorian Government (2001, 311); Queensland Government (2001a, 56); Government of South Australia (2001a, Appendix E, 4); Government of Western Australia (2001b, 211); and ABS (2002d, 14)

Table B.7 Potential payroll tax revenue foregone, 2000-01
Excluding social welfare industries^a

<i>State/Territory</i>	<i>Actual payroll tax revenue</i>	<i>Potential payroll tax base</i>	<i>Average effective tax rate^b</i>	<i>Potential revenue foregone^c</i>
	\$ million	\$ million	%	\$ million
New South Wales	3 981	92 168	4.32	1 826
Victoria	2 540	65 420	3.88	1 222
Queensland	1 170	39 872	2.93	784
South Australia	570	15 351	3.71	351
Western Australia	833	23 762	3.51	488
Tasmania	165	3 774	4.37	81
Northern Territory	95	2 430	3.91	65
Australian Capital Territory	158	3 725	4.24	97
Australia	9 512	246 503	3.86	4 914

^a Excludes *Government administration and defence, Education and Health and community services*. ^b *Actual payroll tax revenue expressed as a share of the Potential payroll tax base*. ^c *(Maximum marginal payroll tax rate - Average effective tax rate) x Potential payroll tax base*.

Source: Estimates based on ABS (2002d, 14); and ABS (2001, 29-46).

Table B.8 Payroll tax revenue foregone, 1993-94 and 2000-01
Excluding social welfare industries^a

<i>State/Territory</i>	<i>1993-94^b</i>	<i>2000-01^c</i>	<i>Change</i>
New South Wales	1 105	1 826	721
Victoria	765	1 222	457
Queensland	278	784	506
South Australia	161	351	190
Western Australia	192	488	296
Tasmania	59	81	22
Northern Territory	45	65	20
Australian Capital Territory	37	97	60
Australia (current prices)	2 628	4 914	2 286
Australia (constant prices)	3 034	4 914	1 881

^a Excludes *Government administration and defence, Education and Health and community services.*

^b Revenue foregone estimated using wages, salaries and supplements as the tax base. ^c Revenue foregone estimated using compensation of employees in 2000-01. The ABS estimates of compensation of employees in 1993-94 is essentially the same as its estimates of wages, salaries and supplements.

Source: Estimates based on IC (1996, 12); NSW Treasury (2001); ABS (2001, 29-46); and ABS (2002d, 14).

Table B.9 Effect of payroll tax rate changes on potential payroll tax revenue foregone, 1993-94 to 2000-01
Excluding social welfare industries^a

<i>State/Territory</i>	<i>Maximum marginal tax rate 1993-94</i>	<i>Maximum marginal tax rate 2000-01</i>	<i>Change in maximum marginal tax rate</i>	<i>Potential payroll tax base 2000-01</i>	<i>Potential revenue foregone 2000-01^b</i>
	%	%	% points	\$ million	\$ million
New South Wales	6.85	6.30	-0.55	92 168	507
Victoria	7.00	5.75	-1.25	65 420	818
Queensland	5.00	4.90	-0.10	39 872	40
South Australia	6.10	6.00	-0.10	15 351	15
Western Australia	6.00	5.56	-0.44	23 762	105
Tasmania	7.00	6.53	-0.47	3 774	18
Northern Territory	7.00	6.60	-0.40	2 430	10
Australian Capital Territory	6.85	6.85	0.00	3 725	0
Australia				246 503	1 512

^a Excludes *Government administration and defence, Education and Health and community services.*

^b Change in maximum marginal tax rate from 1993-94 to 2000-01 x Potential payroll tax base in 2000-01.

Source: Estimates based on IC (1996, 641), NSW Treasury (2001, 12); and ABS (2001, 29-46).

C New South Wales budgetary assistance estimates

For this year's *Trade & Assistance Review*, the Commission has developed estimates of the budgetary assistance to industry provided by the States and Territories for the years 2000-01 and 2001-02. The Commission's definitions, classifications and the methodology employed in compiling the estimates are set out in appendix B.

In this appendix, the Commission presents summary data on the budgetary assistance estimates for New South Wales, together with detailed tables on the budgetary outlay programs contained in the estimates. The estimates should be interpreted in conjunction with the information and explanations in appendix B.

C.1 Summary data

The estimates indicate that the New South Wales Government outlaid \$829 million in 2000-01, and \$751 million in 2001-02, on programs that provide assistance to industry (table C.1). Some relatively minor tax concessions are included in these figures.

Of the \$751 million expended in 2001-02, at least \$382 million was directed to programs classified as having a general industry development objective (table C.1). The actual figure may be larger as some of the programs in the 'other and not classified' category may also have a general industry development objective (see appendix B).

A further \$33 million was directed to programs classified as having a regional industry development objective. Again, this estimate should be considered to be a lower bound. This is mainly because of the way the regional industry development category has been defined, in conjunction with the way the Commission has classified various programs. These have resulted in some significant assistance programs that support regional industries, in particular primary production, being excluded from the category (see appendix B). Were spending on primary production and mining by the New South Wales Government to be included in this category,

the total expenditure on regional industry development assistance would have amounted to some \$352 million in 2001-02.

Table C.1 New South Wales Government budgetary assistance program outlays, by sectors and objectives, 2000-01 and 2001-02

\$ million

	2000-01	2001-02
Principal objective		
Industry development	348	382
Regional industry development	33	33
Other or not classified	449	337
Sector		
<i>Primary production</i>	252	295
– General industry development	..	..
– Regional industry development	..	..
– Other or not classified	252	295
<i>Mining</i>	19	25
– General industry development	..	..
– Regional industry development	..	..
– Other or not classified	19	25
<i>Services</i>	450	336
– General industry development	51	53
– Regional industry development	..	..
– Other or not classified	399	282
<i>Manufacturing^a</i>	..	..
– General industry development	..	..
– Regional industry development	..	..
– Other or not classified	..	..
<i>Unallocated^a</i>	108	96
– General industry development	46	34
– Regional industry development	33	33
– Other or not classified	30	30
Total	829	751

.. Nil. Figures may not add up to total due to rounding. ^a The unallocated category contains programs for which the Commission could not obtain sufficient information on program beneficiaries to allocate the program to a particular sector. As noted in appendix B, the Commission considers that outlay programs in the unallocated category appear likely to predominantly assist the manufacturing sector.

Source: Commission estimates.

The estimates also include \$337 million of programs for which the principal objective of the program has not been classified, or which have ‘other’ objectives,

such as environmental, cultural or equity goals, but provide incidental assistance to industry.

A further breakdown of the estimates, by both objective and sectoral incidence, is provided in table C.1.

In terms of the sectoral distribution, \$336 million was spent on programs that provide assistance to the services sector, although most of this — spending on the arts and the Sydney Olympics — has not been classified as having industry development as the principal objective. The table shows that no assistance programs have been recorded as assisting the manufacturing sector. However, as discussed in appendix B, the Commission considers that many of the programs in the unallocated category appear likely to predominantly assist manufacturing.

The Commission has estimated that the New South Wales Government provided total payroll tax concessions in the order of \$1.8 billion to non-social welfare related businesses in 2000-01. The Commission notes that some level of general concessions, based on payroll tax thresholds can be justified on tax-efficiency grounds, and that not all of the concessions can be counted as industry assistance (appendix B).

C.2 Detailed data

Table C.2 describes different aspects of the New South Wales government programs included in the Commission's estimates. For each output, program or sub-program, the table provides information (where available) on:

- the government agency responsible for the program;
- the program's scope, mode of funding and other program details;
- the program's main objective as classified by the Commission;
- the sectoral incidence of assistance as determined by the Commission; and
- funding estimates.

Table C.2 New South Wales Government budgetary assistance program outlays, 2000-01 and 2001-02

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
DEPARTMENT OF STATE AND REGIONAL DEVELOPMENT					
Development of the New South Wales Economy Program	Various forms of assistance, including: grants; subsidies; tax concessions; infrastructure provision; facilitation services; and information. Identification and capture of strategic investment in NSW. Retention of 'footloose' NSW companies. Assistance to export activities. Development and implementation of action plans for the development of industry sectors. Marketing NSW as a competitive environment for business.	Industry development	Unallocated	97.12	85.39
<i>Sub-programs: investment^d</i>					
— Investment Services	Facilitation services to assist business investors with feasibility studies, fast-tracking of regulatory approvals and assistance on other establishment issues, including staff recruitment, training and infrastructure development.	Industry development	Unallocated	na	na
— Investment Incentives	Subsidies to metropolitan and regional projects.	Industry development	Unallocated	25.00	21.00
— Regional Headquarters	Tax rebates (classified as grants and subsidies in the budget) to induce companies to locate regional headquarters or operation centres in NSW.	Industry development	Unallocated	0.58	0.80
— Olympic and post-Olympic Business Program	Promotion of Sydney's international business profile and organisation of business functions and events, using opportunities created by the Sydney Olympic Games.	Industry development	Unallocated	na	na

Table C.2 New South Wales (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
— Investment Missions	Promotion and trade missions to attract investment.	Industry development	Unallocated	na	na
— Conferences and Events	Hosting of conferences and events to promote NSW as an investment location.	Industry development	Unallocated	na	na
— Call Centres	Attraction of call centres to NSW.	Industry development	Services	na	na
— Financial services and Information, Communication and Technology (ICT) Sectors	Attraction of companies in financial services and ICT industries to NSW; marketing activities; and partnership with industry bodies.	Industry development	Services	na	na
— Manufacturing and Defence	Attraction of manufacturing companies to NSW.	Industry development	Manufacturing	na	na
— Aerospace Industries	Attraction of aerospace companies to NSW.	Industry development	Manufacturing	na	na
<i>Sub-programs: industry development^d</i>					
— Import Replacement	Grant to the NSW Industrial Supplies Office to assist NSW firms to access business opportunities that would otherwise be sourced from imports.	Industry development	Unallocated	na	na
— Major and Special Events	Promotion and partnerships with industry bodies to assist bids for international conferences and events in NSW.	Other or not classified	Services	na	na

Table C.2 New South Wales (continued)

<i>Agency Output Program</i>	<i>Description</i>	<i>Objectives^b</i>	<i>Sector^c</i>	<i>Funding (\$ million)^a</i>	
				<i>2000-01</i>	<i>2001-02</i>
— NSW Innovation Council	Promotion of innovation; assistance to NSW applicants to access Commonwealth government assistance; support for the NSW government to bid for major research facilities (eg Australian Synchrotron Facility).	Industry development	Unallocated	na	na
— NSW Air and Sea Freight Export Council	Provision of information and workshops, and resolution of logistics issues, to assist regional exporters and supply chains.	Industry development	Unallocated	na	na
— Resource Projects	Assistance to resource projects through facilitation of development approvals.	Industry development	Mining	na	na
— Forestry	Identification and facilitation of infrastructure planning and industry development proposals for forestry.	Industry development	Primary production	na	na
— Fox Studios	Management of NSW Government involvement to establish and operate Fox Studios at Moore Park.	Other or not classified	Services	na	na
— Procurement Policy	Implementation of policies to provide NSW and Australian and New Zealand business with opportunities to participate in government contracts; provision of advice to small and medium IT business to participate in government procurement contracts.	Industry development	Unallocated	na	na
— Textiles, Clothing and Footwear (TCF)	Promotion, planning and provision of information to TCF companies.	Industry development	Manufacturing	na	na
— Food, Wine and Culinary Tourism	Promotion of NSW food, wine and culinary tourism industries via organisation and coordination of shows and events.	Industry development	Services	na	na

Table C.2 New South Wales (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
— Cut Flower	Sponsorship of cut flower conferences and events.	Industry development	Primary production	na	na
— Aquaculture	Development of industry development plans to identify suitable areas for aquaculture; provision of information on suitable fish species; staging of investment forums; and assistance to aquaculture establishment and expansion projects.	Industry development	Primary production	na	na
— NSW Information Industries Advisory Board	Provision of information on management training programs to start-up IT companies; identification of ways for small business to access government IT procurement contracts.	Industry development	Services	na	na
— Olympic Business Roundtable programs	Various, including: marketing Australia's business image overseas; business matching services via the Business Club Program; targeted investment attraction via the Investment 2000 Program; assistance to encourage pre-game training of athletes in NSW; and provision of information on Olympic business opportunities.	Industry development	Unallocated	na	na
— Olympic Business Follow-up	Follow-up services to pursue business opportunities after the Olympic Games, including assistance to NSW companies competing for business opportunities at the Athens Olympics.	Industry development	Unallocated	na	na
— Business Ambassadors Program	Encouragement of business leaders to take an honorary role in promoting NSW business.	Industry development	Unallocated	na	na

Table C.2 New South Wales (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
<i>Sub-programs: small business^d</i>					
— Small Business Development Corporation	Provision of policy advice and assistance to the Government on developing small business programs.	Industry development	Unallocated	0.07	na
— NSW East Asia Business Advisory Council	Provision of secretariat support of the Council with business members to provide advice to government on trade and investment opportunities in east Asia.	Industry development	Unallocated	na	na
— The Business Centre	Provision of advice to small business about access to government assistance and industry specialist information.	Industry development	Unallocated	na	na
— Small Business Expansion Program	Provision of subsidies to eligible small businesses to offset consultancy costs of developing business planning, market development and financial strategy.	Industry development	Unallocated	na	na
— Women in Business Program	Provision of services and financial assistance on business training, networks and information exchanges, and mentoring for female entrepreneurs.	Other or not classified	Unallocated	na	na
— Business Migrant Information and Referral Service	Provision of information and referral services to business migrants to establish business in NSW.	Industry development	Unallocated	na	na
— Innovation Advisory Centres	Provision of information, business advice, referrals and technical assessments to assist small businesses to introduce marketable products and adopt innovation practices.	Industry development	Unallocated	na	na

Table C.2 New South Wales (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
— Small Business Advisory Services	Funding of 50 Small Business Service Centres to provide advice, information and training services to small business.	Industry development	Unallocated	na	na
<i>Sub-programs: business services, innovation^d</i>					
— Australian Technology Showcase	Identification and international promotion of NSW innovation projects. Assistance to intellectual property holders to promote commercialisation, including providing access to client managers and matching funding for export development.	Industry development	Unallocated	na	na
— Technology Diffusion Program	Promotion of technology awareness and participation in technology networks and provision of financial assistance for technologies diagnostics, benchmarking and assessments. The Joint State-Commonwealth program targets small and medium firms to accelerate their adoption of new technologies and management practices.	Industry development	Unallocated	na	na
— Profits from Cleaner Production Pilot Program	Provision of assessments, information and consultation services on adoption of clean production technologies.	Other or not classified	Unallocated	na	na
— E-commerce	Promotion and provision of information on the use of e-commerce to assist small business to research and develop new markets.	Industry development	Unallocated	na	na
<i>Sub-programs: business services, exports^d</i>					
— High Growth Business Program	Provision of client management services, forums for networking and information exchange, and financial assistance to assist firms with high growth prospects to improve management, operations and technology, and to develop market opportunities. The program targets exporting and e-commerce.	Industry development	Unallocated	na	na

Table C.2 New South Wales (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
— Regional Export Adviser Program	Provision of export information and advice via a network of export advisers in regional NSW areas to assist local companies to develop export market opportunities.	Regional industry development	Unallocated	na	na
— NSW Exporters Network	Provision of a web site to facilitate information exchange on export opportunities between member companies and with government.	Industry development	Unallocated	na	na
— New Export Opportunities Program	Funding for trade missions and market visit activities, including market assessments, business matching and meetings for potential and existing NSW exporters.	Industry development	Unallocated	na	na
— Export awards	Sponsorship of the Premier's NSW Exporter of the Year Awards.	Industry development	Unallocated	na	na
— International Services	Development of bilateral business development and exchange programs with overseas countries.	Industry development	Unallocated	na	na
— Government Services Export Unit	Promotion of skills and services of NSW Government agencies to offshore buyers. Support and provision of information on exporting services to government agencies.	Industry development	Services	na	na
<i>Sub-programs: regional development^d</i>					
— Regional Investment Services	Facilitation services to secure regional projects.	Regional industry development	Unallocated	na	na

Table C.2 New South Wales (continued)

<i>Agency Output Program</i>	<i>Description</i>	<i>Objectives^b</i>	<i>Sector^c</i>	<i>Funding (\$ million)^a</i>	
				<i>2000-01</i>	<i>2001-02</i>
— Regional Business Development Scheme	Companies which establish or expand in a regional location are eligible for subsidies for feasibility studies, consultancy, plant and equipment removal costs and skills training.	Regional industry development	Unallocated	na	na
— Hunter Advantage Fund	The Fund was established in response to the closure of the BHP steel plant in Newcastle. Assistance is provided to projects with employment targets, relating to manufacturing facilities, processing and distribution facilities, and winery, bottle complex and cellar door activities.	Regional industry development	Manufacturing	3.25	na
— Illawarra Advantage Fund	Assistance to offset impediments to business to expand or establish in the Illawarra region, in response to changes in economic profile of the region.	Regional industry development	Unallocated	0.70	na
— Aboriginal Business Advisory Program	Provision of referral services, website production, coordination and support for Aboriginal business involvement at trade fairs, development of Aboriginal aquaculture projects, and export advisory services.	Other or not classified	Unallocated	na	na
— Agribusiness Alternatives Program	Funding for feasibility studies or trial activities for new products and formation of network and supply chains with the aim of assisting agribusiness to value-add.	Industry development	Primary production	na	na
— New Market Expansion Program	Assistance and provision of information to regional firms to develop networks and skills to pursue new market opportunities.	Regional industry development	Unallocated	na	na
— Regional Economic Transition Scheme	Facilitation of projects and assistance to regional centres experiencing structural changes in their industries.	Regional industry development	Unallocated	na	na

Table C.2 New South Wales (continued)

<i>Agency Output Program</i>	<i>Description</i>	<i>Objectives^b</i>	<i>Sector^c</i>	<i>Funding (\$ million)^a</i>	
				<i>2000-01</i>	<i>2001-02</i>
— Dairy Industry Deregulation NSW Government Assistance Program	Assistance to establish or expand industries in dairy communities; business training for people exiting the dairy industry; and market assessments for dairy products.	Industry development	Primary production	na	na
— NSW Meat Processing Industry Restructure Program	Assistance to the meat processing industry to adjust to structural change. Funding is available for business reviews, value-adding investment, occupational health and safety management, and diversification of regional economies under restructuring.	Industry development	Manufacturing	na	na
— Salinity Business Development Program	Financial assistance to a salt extraction and marketing firm to establish in south western NSW; financial assistance to a company to market meat from sheep raised on Old Man Saltbush in western NSW; promotion and showcasing of salinity-related technologies; and provision of business awareness workshops.	Industry development	Unallocated	na	na
— Aboriginal Business Link Program	Financial assistance for skill development, trade shows, industry marketing, and promotion, to develop new markets and growth of Aboriginal businesses.	Other or not classified	Unallocated	na	na
— Country Centres Growth Strategies	Development of growth strategies for particular industries in country centres, including horticulture, racing, crops and transport infrastructure.	Regional industry development	Unallocated	na	na
— Country Lifestyles Program	Funding of promotional activities and events to attract skilled labour, business and investment to regional NSW.	Regional industry development	Unallocated	na	na

Table C.2 New South Wales (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
— Main Street/Small Towns Program	Provision of planning activities, coordination services and information relevant to needs of local business.	Regional industry development	Unallocated	na	na
— Townlife Development Program	Assistance to develop new products, markets and tourism development activities in regional towns.	Regional industry development	Unallocated	na	na
— Developing Regional Resources Program	Matched funding for innovative practices in regional economic development, feasibility studies, and business plans for rural industries.	Regional industry development	Unallocated	na	na
— Regional Development Boards	Funding of activities (promotion, business plans) undertaken by 13 Regional Development Boards to attract investment with sustainable long term employment prospects.	Regional industry development	Unallocated	1.29	na
Sub-total for Department of State and Regional Development				97.12	85.39
OLYMPIC COORDINATION AUTHORITY					
<i>Infrastructure Development of Homebush Bay and Related Sites</i>	Funding of infrastructure provision, including planning, redevelopment and management of Homebush Bay and related areas (including the relocation of the Royal Agricultural Society), Australia Centre Business Park, Penrith Lakes Regatta Centre, Horsley Park Equestrian Centre and Holsworthy Shooting Centre.	Other or not classified	Services	25.77	..

Table C.2 New South Wales (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
<i>Delivery of Olympic and Paralympic Facilities and Venues</i>	Grants for infrastructure provision. The staged construction of sporting and recreation facilities and venues. The completion of construction of the sporting facilities undertaken in a manner to complement the continuation of the major urban renewal program at Homebush Bay, and programs at Penrith Lakes, Horsley Park and Holsworthy.	Other or not classified	Services	103.28	..
<i>Coordination of Olympic and Paralympic Activities</i>	Coordinating, monitoring and reporting on all works associated with the preparation for the hosting of the Olympic and Paralympic Games including the redevelopment of the Homebush Bay area. Maintenance of close liaison with the Sydney Organising Committee for the Olympic Games, the Sydney Paralympic Organising Committee and Government agencies. Administration of Commonwealth and State grants for Olympic and Paralympic projects.	Other or not classified	Services	125.85	80.87
Sub-total for Olympic Coordination Authority				254.90	80.87
TOURISM NEW SOUTH WALES					
<i>Development of the Tourism Industry (previously classified under Strategic Planning)</i>	Development of the NSW Tourism Masterplan and regional marketing plans. Other assistance activities include working with industry and industry associations to encourage investment in infrastructure and improve business skills, and support of events and Gateway centres.	Industry development	Services	2.98	3.47

Table C.2 New South Wales (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
Tourism Growth through Marketing	Promotion of tourism in NSW through packaging and marketing tourism products and holiday experiences, with the aim of attracting high spending visitors. Assistance to bid for conferences in Sydney.	Industry development	Services	41.52	44.96
— Domestic Marketing	<i>Drive New South Wales</i> : campaign for specific driving holiday campaigns in NSW as a response to the September 11 terrorist attack and cessation of Ansett Airlines.	Industry development	Services	na	na
	<i>Touring by Car Program</i> : promotion campaigns for specific drive routes in NSW.			na	na
	<i>Sydney Promotions</i> : promotions of Sydney with industry partnership.			na	na
	<i>Short Breaks</i> : promotion campaigns targeting the regions of Shoalhaven, Illawara, Blue Mountains, Hunter, Port Stephens and the Northern Rivers as easy getaway breaks.			na	na
	<i>New South Wales Holidays</i> : a tourism-wholesaling program targeting Australian consumers.			na	na
— International Marketing	Consumer tourism campaigns in United Kingdom, United States of America, Germany, New Zealand and selected Asian markets.	Industry development	Services	na	na
Sub-total for Tourism New South Wales				44.50	48.43

Table C.2 New South Wales (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
MINISTRY FOR THE ARTS					
<i>Policy Formulation and Review, Cultural Grants Program and Other Arts Assistance</i>	Policy formulation, strategic review, industry and infrastructure support, management of the Cultural Grants Program and other support to arts organisations, provision of awards and fellowships to individuals. Funding includes grants and subsidies to the Museum of Contemporary Art, Arts Development Initiatives, Cultural Grants Program, the Sydney Opera House Trust, Carnivale, Sydney Festival Ltd and Sydney Opera House maintenance and capital grants.	Other or not classified	Services	57.15	110.80
<i>Australian Museum</i>	Acquisition, preservation and research of collections. Provision of information to the public, industry and Government through exhibitions, educational programs and research.	Other or not classified	Services	25.79	25.59
<i>Art Gallery of NSW</i>	Acquisition of art works for public exhibition, promotion of public appreciation of art through education programs and art competition awards. Administration of the Art Gallery of New South Wales. Forms of assistance include acquisition, conservation, research, information, promotion and administration.	Other or not classified	Services	11.71	12.54
<i>Museum of Applied Arts and Science</i>	Acquisition, conservation and research of artefacts and other materials relating to science, technology and the applied arts. Dissemination of information to the community, industry and government through exhibits, educational programs and special advice. Administration of the Powerhouse Museum, the Mint Museum and Sydney Observatory. Forms of assistance include acquisition, conservation, research, information, promotion and administration.	Other or not classified	Services	33.24	32.09

Table C.2 **New South Wales (continued)**

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
New South Wales Film and Television Office	Assistance to the NSW film and television industry to develop and market film and television projects. Processing of applications by film-makers for government assistance. Arranging for the production of films for government authorities. Grants, subsidies and promotion.	Other or not classified	Services	6.26	7.48
Sub-total for Ministry for the Arts				134.14	188.49
DEPARTMENT OF INFORMATION TECHNOLOGY AND MANAGEMENT					
Office of Information Technology	Funding includes grants and subsidies to the Australian Centre for Advanced Computing and Communications.	Industry development	Services	6.00	4.00
Forestry Policy and Reforms	Assistance to facilitate investment in forest plantations and sustainable management of private native forests. Facilitation of the restructuring of the NSW native timber industry by providing assistance to eligible workers and businesses under the Forest Industry Structural Adjustment Package.	Industry development	Primary production	37.31	40.59
Sub-total for Department of Information Technology and Management				43.31	44.59
SUSTAINABLE ENERGY DEVELOPMENT AUTHORITY					
Reduce Adverse Environmental Impacts of Energy Use	Assistance for the commercialisation of sustainable energy technologies, services and practices.	Other or not classified	Unallocated	11.33	10.69

Table C.2 New South Wales (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
— Energy Smart Business Partners	Companies with energy efficiency action plans are eligible for technical support to make energy efficiency improvements.	Other or not classified	Unallocated	na	na
Sub-total for Sustainable Energy Development Authority				11.33	10.69
DEPARTMENT OF MINERAL RESOURCES					
Resource Management	Promotion of mine safety and environmental management by encouraging and monitoring actions that reduce the possibility of injuries and ill health arising from mining. Promotion of actions to improve the environmental performance of mines.	Other or not classified	Mining	19.01	25.23
Sub-total for Department of Mineral Resources				19.01	25.23
DEPARTMENT OF AGRICULTURE					
Departmental structure for 2001-02					
Innovative and Internationally Competitive Agricultural Industries	Provision of research, extension, education and regulatory services to assist agricultural industries to achieve higher product quality standards, industry productivity and better farm management.	Industry development	Primary production		56.80
Sustainable Natural Resource Management for Agriculture and the Community	Resource assessment and land use and planning services to assist NSW agricultural industries and community to adopt economic and environmental technologies and improve agricultural natural resource base.	Industry development	Primary production		46.41

Table C.2 New South Wales (continued)

<i>Agency Output Program</i>	<i>Description</i>	<i>Objectives^b</i>	<i>Sector^c</i>	<i>Funding (\$ million)^a</i>	
				<i>2000-01</i>	<i>2001-02</i>
<i>Animal and Plant Protection</i>	Provision of information, laboratory and regulatory services to control plant and animal diseases, agricultural pests, weeds and chemicals on agricultural industries.	Industry development	Primary production		55.14
<i>Serving the Broader Community</i>	Assistance to rural properties during natural disasters, provision of agricultural training, funding of animal welfare organisations and development of export business opportunities for agricultural products.	Industry development	Primary production		24.03
<i>Departmental structure for 2000-01</i>					
<i>Food and Fibre Products</i>	Research, advisory and regulatory services for the NSW plant and animal product industries to assist NSW food and fibre industries to be internationally competitive and self reliant, and to meet consumer and community requirements for efficient and ecologically sustainable production systems.	Industry development	Primary production	51.75	
<i>Quality Assurance</i>	Research, advisory, regulatory and diagnostic services for the NSW plant and animal product industries, specifically regarding quality assurance issues.	Industry development	Primary production	40.04	
<i>Resource Management</i>	Resource information, land use and resource planning services and agricultural systems to improve the management of the State's agricultural resources, including water use efficiency, agroclimatology and farm forestry.	Industry development	Primary production	56.93	

Table C.2 New South Wales (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
<i>Agriculture Education, Animal Welfare and Rural Support</i>	Development and delivery of economic and marketing research and advisory services. Provision of full and part-time education courses and specialist training. Development of and monitoring compliance with animal welfare standards. Provision of other specialist support services to the rural community.	Industry development	Primary production	26.53	
Sub-total for Department of Agriculture				175.25	182.38
RURAL ASSISTANCE AUTHORITY					
<i>Assistance to Farmers</i>	Provision of interest subsidies, loans and grants to farmers. Provision of assistance to farmers and small businesses affected by natural disasters. The assistance schemes include the Rural Adjustment Scheme, the Special Conservation Scheme, the Natural Disaster Relief Scheme, the West 2000 Program, the Sunraysia Program, the FarmBis Program, the Water Reform Program and the Murrumbidgee Rural Partnership Program.	Industry development	Primary production	9.86	12.72
Sub-total for Rural Assistance Authority				9.86	12.72
NEW SOUTH WALES FISHERIES					
<i>Fisheries Conservation and Management</i>	Management, research and compliance programs to maximise sustainable harvesting by recreational and commercial fishers, to restore and protect fish stocks and their habitat, and to facilitate the development of new aquaculture and fishing industries.	Industry development	Primary production	29.63	58.85
Sub-total for Fisheries				29.63	58.85

Table C.2 New South Wales (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
DEPARTMENT OF SPORT AND RECREATION					
<i>International Sporting Events Council</i>	Grants and subsidies.	Other or not classified	Services	0.50	0.50
<i>NSW Institute of Sport</i>	Grants and subsidies.	Other or not classified	Services	4.74	4.73
<i>Sydney Aquatic and Athletic Centres</i>	Grants and subsidies.	Other or not classified	Services	4.38	5.42
<i>State Sport Centre</i>	Grants and subsidies.	Other or not classified	Services	0.80	0.80
<i>Eastern Creek Raceway</i>	The property operates under a commercial lease arrangement for promoters to stage motor sport events.	Other or not classified	Services	na	1.60
Sub-total for Department of Sport and Recreation				10.42	13.04
CABINET OFFICE					
<i>Biotechnology Strategies</i>	Funding of the BioUnit which manages and coordinates biotechnology development projects.	Industry development	Unallocated	..	0.75

Table C.2 New South Wales (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
PREMIER'S DEPARTMENT					
<i>Strategic Projects</i>	The Strategic Projects Division of the Premier's Department undertakes coordination, planning and management of major industry development projects and sporting events. Its total funding was about \$17.5 million in 2000-01. However, the Division also manages a number of community and social projects, that are not related to industry assistance and cannot be identified separately. The funding of 'strategic projects' has not been included in the estimates.	Industry development	Unallocated	ne	ne
TOTAL BUDGETARY OUTLAY ASSISTANCE^e				829.45	751.42

.. Nil; na not available; ne not estimated. Figures for individual programs may not add up to total due to rounding.

a Funding estimates were derived as follows.

- The estimates are compiled for 2000-01 and 2001-02 only, using the *Budget Estimates 2001-02* and *2002-03* (NSW Government 2001 and 2002) as the principal information source, except where specifically indicated. This is to facilitate comparison across States and Territories on the same reporting period and to overcome difficulties in reconciliation of funding figures due to changes in departmental structures and programs between years.
- The figures are indicative only and are likely to be revised by the New South Wales Government.
- The estimates correspond to the 'net cost of services' of the relevant program as shown in the *Budget Estimates 2001-02* (NSW Government 2001). This excludes user charges, industry contributions and Commonwealth grants.
- The assistance sub-total for each agency is computed as the sum of individual program funding (in italics). Where information is available, funding figures for individual sub-programs or grants and subsidies are also shown, but are not included in the calculation of the sub-total.

b Program objectives are classified according to whether the main aim of the program is to promote:

- general industry development;
- regional industry development;

- other objectives — such as cultural objectives for funding of the arts; or
 - not classified — programs which are difficult to allocate into one of the above categories.
- c** To give some indication of the incidence of assistance based on the information available, the Commission has classified the programs according to the broad sectors to which they primarily benefit. These sectoral classifications include:
- primary production — agriculture, forestry and fishing;
 - manufacturing;
 - mining;
 - services; and
 - unallocated — information is not available to determine the incidence of assistance.
- d** Information published in NSW Department of State and Regional Development (2001), Department of Industry, Science and Resources (Commonwealth) (2001) and Department of Industry, Tourism and Resources (Commonwealth) (2002).
- e** The outlays data includes some minor tax concessions that are included, but not separately costed, in state budget papers as part of the overall expenditure for an agency or investment incentive program.

Sources:

- Department of Industry, Science and Resources (Commonwealth) 2001, *Commonwealth and State Government Programs Supporting Innovation in Firms At January 2001*, February.
- Department of Industry, Tourism and Resources (Commonwealth) 2002, *AusIndustry — Business Entry Point Database*, <http://www.ausindustry.gov.au>
- Industry Commission 1996, *States, Territory and Local Government Assistance to Industry*, Report No. 55, AGPS, Canberra, October.
- NSW (New South Wales) Department of State and Regional Development 2001, *Annual Report 2000-01*, Sydney.
- NSW (New South Wales) Government 2001, *Budget Estimates 2001-02*, Budget Paper No. 3, Vols. 1 and 2, Sydney.
- NSW (New South Wales) Government 2002, *Budget Estimates 2002-03*, Budget Paper No. 3, Vols. 1 and 2, Sydney.

D Victorian budgetary assistance estimates

For this year's *Trade & Assistance Review*, the Commission has developed estimates of the budgetary assistance to industry provided by the States and Territories for the years 2000-01 and 2001-02. The Commission's definitions, classifications and the methodology employed in compiling the estimates are set out in appendix B.

In this appendix, the Commission presents summary data on the budgetary assistance estimates for Victoria, together with detailed tables on the budgetary outlay programs contained in the estimates. The estimates should be interpreted in conjunction with the information and explanations in appendix B.

D.1 Summary data

The estimates indicate that the Victorian Government outlaid \$543 million in 2000-01, and \$778 million in 2001-02, on programs that provide assistance to industry (table D.1). Some relatively minor tax concessions are included in these figures.

Of the \$778 million expended in 2001-02, at least \$352 million was directed to programs classified as having a general industry development objective (table D.1). The actual figure may be larger as some of the programs in the 'other and not classified' category may also have a general industry development objective (see appendix B).

A further \$68 million was directed to programs classified as having a regional industry development objective. Again, this estimate should be considered to be a lower bound. This is mainly because of the way the regional industry development category has been defined, in conjunction with the way the Commission has classified various programs. These have resulted in some significant assistance programs that support regional industries, in particular primary production, being excluded from the category (see appendix B). Were spending on primary production and mining by the Victorian Government to be included in this category, the total expenditure on regional industry development assistance would have amounted to some \$232 million in 2001-02.

Table D.1 Victorian Government budgetary assistance program outlays, by sectors and objectives, 2000-01 and 2001-02

\$ million

	2000-01	2001-02
Principal objective		
Industry development	281	352
Regional industry development	12	68
Other or not classified	250	357
Sector		
<i>Primary production</i>	142	152
– General industry development	142	152
– Regional industry development	..	..
– Other or not classified	..	..
<i>Mining</i>	11	11
– General industry development	5	5
– Regional industry development	..	..
– Other or not classified	6	7
<i>Services</i>	295	414
– General industry development	52	63
– Regional industry development	..	..
– Other or not classified	244	351
<i>Manufacturing^a</i>	39	45
– General industry development	39	45
– Regional industry development	..	..
– Other or not classified	..	..
<i>Unallocated^a</i>	56	157
– General industry development	44	88
– Regional industry development	12	68
– Other or not classified	..	..
Total	543	778

.. Nil. Figures may not add up to total due to rounding. ^a The unallocated category contains programs for which the Commission could not obtain sufficient information on program beneficiaries to allocate the program to a particular sector. As noted in appendix B, the Commission considers that outlay programs in the unallocated category appear likely to predominantly assist the manufacturing sector.

Source: Commission estimates.

The estimates also include \$357 million of programs for which the principal objective of the program has not been classified, or which have ‘other’ objectives, such as environmental, cultural or equity goals, but provide incidental assistance to industry.

A further breakdown of the estimates, by both objective and sectoral incidence, is provided in table D.1.

In terms of the sectoral distribution, \$414 million was spent on programs that provide assistance to the services sector, although most of this — spending on the arts and professional sports — has not been classified as having industry development as the principal objective. The table shows that \$45 million has been recorded as assisting the manufacturing sector. As discussed in appendix B, the Commission considers that many of the programs in the unallocated category also appear likely to predominantly assist manufacturing.

The Commission has estimated that the Victorian Government provided total payroll tax concessions in the order of \$1.2 billion to non-social welfare related businesses in 2000-01. The Commission notes that some level of general concessions, based on payroll tax thresholds can be justified on tax-efficiency grounds, and that not all of the concessions can be counted as industry assistance (appendix B).

D.2 Detailed data

Table D.2 describes different aspects of the Victorian government programs included in the Commission's estimates. For each output, program or sub-program, the table provides information (where available) on:

- the government agency responsible for the program;
- the program's scope, mode of funding and other program details;
- the program's main objective as classified by the Commission;
- the sectoral incidence of assistance as determined by the Commission; and
- funding estimates.

Table D.2 Victorian Government budgetary assistance program outlays, 2000-01 and 2001-02

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
DEPARTMENT OF INNOVATION, INDUSTRY AND REGIONAL DEVELOPMENT					
Innovation and Policy					
<i>Science, Technology and Innovation Initiative Management</i>	Allocation and management of grant funding to science and technology projects and infrastructure in priority industry sectors on behalf of all Victorian agencies. Grants are provided on a contestable basis, but vary depending on projects (minimum grant is \$250 000). The major facilities include funding of \$100 million for construction of the National Synchrotron Project at Monash University.	Industry development	Unallocated	7.1	46.8
<i>Biotechnology</i>	Implementation of Biotechnology Strategic Development Plan, including assistance for the commercialisation of biotechnology R&D, training and career development, international marketing and promotion of the Victorian biotechnology sector.	Industry development	Unallocated	..	..
<i>Commercialisation</i>	The Technology Commercialisation Program (TCP) provides professional business support and tailored development services to start up technology companies. The TCP is delivered through 12 private sector service providers, who can also facilitate access to investment capital. The program includes policy development for technology parks, business innovation, intellectual property and agricultural technologies.	Industry development	Unallocated	6.3	8.7
<i>ICT (Information & Communications Technologies) Industry Development and E-Commerce</i>	Delivery of financial assistance to ICT projects in several areas, including: investment attraction, export development, skills development and uptake of electronic commerce.	Industry development	Services	6.6	10.6

Table D.2 **Victoria** (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
Business					
<i>Investment Facilitation and Attraction</i>	Financial incentives and facilitation services to attract international investment and encourage additional investment by companies already operating in Victoria.	Industry development	Manufacturing	38.9	45.0
— Investment Support Program ^d	Provision of financial assistance to attract investment. Case-by-case assessment of incentives by a Cabinet Committee chaired by the Premier. <ul style="list-style-type: none"> • <u>Projects assisted</u>: 29 projects received financial assistance in 2001-01. • <u>Commitments</u>: future payments to companies upon fulfilling investment and employment targets. 	Industry development	Manufacturing	24.4	na
<i>Business Development</i>	Assistance to individual firms and industries to improve business competitiveness, including provision of information, subsidised consultancies and assistance to access export markets.	Industry development	Unallocated	25.6	28.1
— Enterprise Improvement Program ^d	A range of planning and management services to improve business competitiveness: <ul style="list-style-type: none"> • <i>General Diagnostic Report</i>: a subsidy of up to 75 per cent (or \$4000) for consultancy costs to identify company areas in need of change. • <i>Specialist Services</i>: a subsidy ranging from 25 per cent up to 75 per cent for consultancy costs of technical and specialist services relating to human resource, investment, environmental and export planning. 	Industry development	Unallocated	na	na

Table D.2 **Victoria** (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
— Overseas Trade Fairs, Outward Trade Missions and Inward Buyer Visits ^d	A subsidy of up to \$20 000 per mission and up to \$25 000 per fair for groups of companies to assist 'export-ready' companies to participate in selected trade fairs and outward trade missions. A subsidy of up to \$15 000 is available, on a contributory basis, towards the cost of bringing business visits or buyers to Victoria.	Industry development	Unallocated	na	na
— Export Assistance Program ^d	Includes several sub-programs: <ul style="list-style-type: none"> • <i>'Getting into Export' Workshops</i>: workshops to discuss issues involved in exporting. • <i>Export Networks and Consortia</i>: provides a subsidy of up to \$9000 to determine the feasibility of forming an export network and then a subsidy of up to \$15 000 to establish such a network. • <i>Export Market Planning</i>: a subsidy of up to \$6000 to assist companies assessing their export capabilities and strategies • <i>Export Managers' Forum</i>: regular meetings for export managers to discuss export opportunities. 	Industry development	Unallocated	na	na
— Bilateral Chambers of Commerce ^d	A subsidy of up to \$15 000 is available to assist key bilateral Chambers of Commerce to develop new export activities.	Industry development	Unallocated	na	na
— Innovation Program ^d	Subsidies are available for small to medium-sized firms for consultancy costs of technical audits, developing business strategies, and R&D links.	Industry development	Unallocated	na	na
— Cleaner Production Planning Program ^d	Subsidies between 50 per cent and 75 per cent of approved costs for eligible firms to engage an environmental consultant to assess opportunities for introducing cleaner production techniques, and to develop strategies to manage environmental issues.	Industry development	Unallocated	na	na

Table D.2 **Victoria** (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
<i>Regional Strategic Leadership</i>	Development and administration of regional programs and provision of economic intelligence and policy development services.	Regional industry development	Unallocated	2.2	2.6
<i>Regional Infrastructure Development</i>	Funding of infrastructure development projects in regional Victoria.	Regional industry development	Unallocated	6.9	61.7
— Regional Infrastructure Development Fund ^d	Funding of capital works relating to: <ul style="list-style-type: none"> • industry development, including physical works to facilitate economic development; • transport improvements of strategic regional significance; • tourism-related capital works for new and improved facilities; • education, information and communications technologies. 	Regional industry development	Unallocated	na	na
— Rural Community Development Program ^d	Funding to renew or upgrade community infrastructures to develop a positive investment environment.	Regional industry development	Unallocated	na	na
— Council and Regional Development Body Program ^d	Grants are available to regional bodies and Councils to undertake 'Regional Group Projects' and 'Priority Projects', such as regional investment promotion, regional business plans, regional industry development projects and regional marketing strategies, to attract firms considering locating in rural and regional Victoria.	Regional industry development	Unallocated	na	na

Table D.2 **Victoria** (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
<i>Regional Economic Development</i>	Attraction of new investment in regional Victoria and support of business development in key regional industries.	Regional industry development	Unallocated	3.3	4.1
— Regional Economic Development Program ^d	Includes two components: <ul style="list-style-type: none"> • <i>Investment Attraction</i>: financial assistance and facilitation services to attract footloose investment to regional Victoria, in particular food processing, forest products and natural fibres processing industries. • <i>Expanding Local Business</i>: a range of enterprise improvement services for existing regional businesses; case-by-case assistance for significant regional companies to expand operations; and grants to Local Councils to provide business planning services. 	Regional industry development	Unallocated	na	na
<i>Small Business Support and Online Business Services</i>	Provision of business information, advisory and referral services through the Victorian Business Line, Business Channel and regional offices operating across rural and metropolitan Victoria. Management of assistance programs and events to assist small business.	Industry development	Unallocated	4.6	4.6
<i>Employment Programs</i>					
— Migrant Employment Services ^d	Delivery of services to attract skilled migrants to Victoria; services to assess overseas qualifications; and provision of information to migrants about job opportunities in Victoria.	Industry development	Unallocated	..	..

Table D.2 **Victoria** (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
— Business Employment Programs ^d	Provision of services to employers and individuals to encourage increased take-up of apprentices and trainees in areas of skill shortages. The programs include: <ul style="list-style-type: none"> • Government Youth Employment Scheme; • Go for IT; • Youth Employment Incentive Scheme; • Private Sector Skills Development Program. 	Other or not classified	Unallocated	..	..
Sub-total for Department of Innovation, Industry and Regional Development				101.5	212.5
DEPARTMENT OF TOURISM, SPORT AND THE COMMONWEALTH GAMES					
Sport, Recreation and Racing					
<i>Sport and Major Event Facilitation</i>	Attraction, planning and retention of major national and international sporting and other events that raise the profile of Victoria, such as facilitation of sports visitations, facilities inspection, training and competition and athletes and official pre-Olympic training.	Other or not classified	Services	34.9	29.8
<i>Sport and Recreation Industry Development</i>	Facilitation of the development of the sport and recreation industry. Industry regulation and probity in horse racing, professional boxing and martial arts sector.	Other or not classified	Services	14.0	20.4
<i>Sport and Recreation Facility Development</i>	Funding, coordination and facilitation services to develop Victoria sport and recreation facilities.	Other or not classified	Services	12.0	15.2
Sub-total for Sport, Recreation and Racing				53.5^e	65.4

Table D.2 **Victoria** (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
Tourism					
<i>Tourism marketing and Event Facilitation</i>	Conduct of marketing campaigns with the aim of increasing visits to Victoria; assistance to developing tourism products; undertaking of cooperative marketing programs; and assistance to major and special events.	Industry development	Services	37.1	48.9
<i>Tourism Industry and Infrastructure Development</i>	Facilitation of investment in tourism projects; development of tourism plans; and attraction new carriers and air services to Victoria.	Industry development	Services	7.8	3.3
<i>Sub-total for Tourism</i>				44.9	52.2
Melbourne 2006 Commonwealth Games					
<i>Melbourne 2006 Commonwealth Games</i>	Coordination of planning and facility development for the Commonwealth Games with the Melbourne 2006 Commonwealth Games Pty Ltd.	Other or not classified	Services	..	35.60
<i>Commonwealth Games Coordination</i>	Provision of planning, development, coordination and management services for preparation of staging of the 2006 Commonwealth Games in Melbourne.	Other or not classified	Services	..	..
<i>Sub-total for Melbourne 2006 Commonwealth Games</i>				..	35.60
Sub-total for Department of Tourism, Sport and the Commonwealth Games				98.4	153.2

Table D.2 **Victoria** (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
DEPARTMENT OF INFRASTRUCTURE					
<i>Major Public Construction and Land Development</i>	Management and delivery of construction and land development projects, including the World Congress Centre, the Royal Melbourne Showground and the Commonwealth Games Athletes Villages. Provision of coordination of projects and feasibility studies. This output was previously classified as Major Projects Victoria under the former Department of State and Regional Development.	Other or not classified	Unallocated	4.8	6.0
Sub-total for Department of Infrastructure				4.8	6.0
DEPARTMENT OF NATURAL RESOURCES AND ENVIRONMENT					
Agriculture					
<i>Services to Improve Market Access, Market Development and Consumer Confidence</i>	Various services for food and agricultural industries to develop markets, enhance consumer confidence and protect the environment. These services include: food safety and quality assurance; pest and disease management; facilitation of business value chains; and development of export markets.	Industry development	Primary production	45.0	45.0
<i>Development of 'Next Generation' Technologies for Sustainable Agriculture</i>	Research and extension services to improve agricultural competitiveness. The R&D includes strategic and applied research, product development, improved land and natural resource management systems of benefit to agriculture industries. The services also include provision of technical advice and technical review to support policy development and industry strategic planning.	Industry development	Primary production	76.1	82.6

Table D.2 Victoria (continued)

<i>Agency Output Program</i>	<i>Description</i>	<i>Objectives^b</i>	<i>Sector^c</i>	<i>Funding (\$ million)^a</i>	
				<i>2000-01</i>	<i>2001-02</i>
<i>Community, Farm and Industry Development Services</i>	Funding of on-farm management programs, industry training and skills development, extension and research, and communication and information services. These are aimed at encouraging adoption of best practice systems for sustainable and productive food and agriculture industries at both the farm and regional level.	Industry development	Primary production	12.6	16.9
Fisheries					
<i>Management Services</i>	Fisheries management services and industry development.	Industry development	Primary production	2.4	2.3
<i>Research</i>	Funding for agricultural and fisheries research.	Industry development	Primary production	2.5	2.2
Forestry					
<i>Forest Industry Structural Assistance Program</i>	Joint Commonwealth-State program to assist forestry industry in response to implementation of the Regional Forest Agreement process.	Industry development	Primary production	3.6	2.7
Minerals and petroleum					
<i>Minerals and Petroleum Regulation Services</i>	Management, monitoring and enforcement of tenement and health, safety and environmental standards for mining and petroleum operations.	Other or not classified	Mining	6.3	6.7

Table D.2 **Victoria** (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
<i>Minerals and Petroleum industry development and information</i>	Facilitation services and royalty exemption for mining and petroleum industry.	Industry development	Mining	4.6	4.7
Sub-total for Department of Natural Resources and Environment				153.1	163.1
DEPARTMENT OF PREMIER AND CABINET					
<i>Cultural Product and Art Development</i>	Funding for the creation and presentation of art products and for the development of artists and arts organisations via five art development programs.	Other or not classified	Services	14.9	17.1
<i>Audiences and Access</i>	Funding for the development of audiences and local and international markets.	Other or not classified	Services	8.4	7.6
<i>Infrastructure and Cultural Facilities</i>	Support for Victorian cultural venues and state-owned facilities.	Other or not classified	Services	50.4	74.6
<i>Arts Portfolio Agencies</i>	Promotion, presentation and preservation of heritage and arts through funding of agencies such as Cinemedia, Geelong Performing Arts Centre, Museum Victoria, National Gallery of Victoria and Victorian Arts Centre.	Other or not classified	Services	111.7	144.4
Sub-total for Department of Premier and Cabinet				185.4	243.7
TOTAL BUDGETARY OUTLAY ASSISTANCE^f				543.2	778.2

.. Nil; na not available. Figures for individual programs may not add up to total due to rounding.

- a** Funding estimates were derived as follows.
- The estimates are compiled for 2000-01 and 2001-02 only, using the *Budget Estimates 2002-03* (Victorian Government 2002) and information provided by Victorian Government agencies.
 - The estimates exclude user charges, industry contributions and Commonwealth funding.
 - The assistance sub-total for each agency is computed as the sum of individual program funding (in italics). Where information is available, funding figures for individual sub-programs or grants and subsidies are also shown, but are not included in the calculation of the sub-total.
- b** Program objectives are classified according to whether the main aim of the program is to promote:
- general industry development;
 - regional industry development;
 - other objectives — such as cultural objectives for funding of the arts; or
 - not classified — programs which are difficult to allocate into one of the above categories.
- c** To give some indication of the incidence of assistance based on the information available, the Commission has classified the programs according to the broad sectors to which they primarily benefit. These sectoral classifications include:
- primary production — agriculture, forestry and fishing;
 - manufacturing;
 - mining;
 - services; and
 - unallocated — information is not available to determine the incidence of assistance.
- d** Information published in Department of State and Regional Development (Victoria) (2001), Victorian Auditor-General (2002), Department of Industry, Science and Resources (Commonwealth) (2001) and Department of Industry, Tourism and Resources (Commonwealth) (2002).
- e** The sub-total figure is drawn from Department of State and Regional Development (Victoria) (2001).
- f** The outlay data includes some minor tax concessions that are included, but not separately costed, in state budget papers as part of the overall expenditure for an agency or investment incentive program.

Sources:

- Department of Industry, Science and Resources (Commonwealth) 2001, *Commonwealth and State Government Programs Supporting Innovation in Firms At January 2001*, February.
- Department of Industry, Tourism and Resources (Commonwealth) 2002, *AusIndustry — Business Entry Point Database*, <http://www.ausindustry.gov.au>
- Department of Natural Resources and the Environment (Victoria) 2001, *Annual Report 2000-01*, Melbourne.

- Department of Premier and Cabinet (Victoria) 2001, *Annual Report 2000-01*, Melbourne.
- Department of State and Regional Development (Victoria) 2001, *Annual Report 2000-01*, Melbourne.
- Industry Commission 1996, *States, Territory and Local Government Assistance to Industry*, Report No. 55, AGPS, Canberra, October.
- Victorian Auditor-General 2002, *Investment attraction and facilitation in Victoria*, Government Printer, May.
- Victorian Government 2002, *Budget Estimates 2002-03*, Budget Paper No. 3, Melbourne.

E Queensland budgetary assistance estimates

For this year's *Trade & Assistance Review*, the Commission has developed estimates of the budgetary assistance to industry provided by the States and Territories for the years 2000-01 and 2001-02. The Commission's definitions, classifications and the methodology employed in compiling the estimates are set out in appendix B.

In this appendix, the Commission presents summary data on the budgetary assistance estimates for Queensland, together with detailed tables on the budgetary outlay programs contained in the estimates. The estimates should be interpreted in conjunction with the information and explanations in appendix B.

E.1 Summary data

The estimates indicate that the Queensland Government outlaid \$624 million in 2000-01, and \$732 million in 2001-02, on programs that provide assistance to industry (table E.1). Some relatively minor tax concessions are included in these figures.

Of the \$732 million expended in 2001-02, at least \$502 million was directed to programs classified as having a general industry development objective (table E.1). The actual figure may be larger as some of the programs in the 'other and not classified' category may also have a general industry development objective (see appendix B).

A further \$43 million was directed to programs classified as having a regional industry development objective. Again, this estimate should be considered to be a lower bound. This is mainly because of the way the regional industry development category has been defined, in conjunction with the way the Commission has classified various programs. These have resulted in some significant assistance programs that support regional industries, in particular primary production, being excluded from the category (see appendix B). Were spending on primary production and mining by the Queensland Government to be included in this category, the total

expenditure on regional industry development assistance would have amounted to some \$317 million in 2001-02.

Table E.1 Queensland Government budgetary assistance program outlays, by sectors and objectives, 2000-01 and 2001-02

\$ million

	2000-01	2001-02
Principal objective		
Industry development	471	502
Regional industry development	41	43
Other or not classified	112	187
Sector		
<i>Primary production</i>	233	219
– General industry development	233	219
– Regional industry development	..	..
– Other or not classified	..	..
<i>Mining</i>	51	55
– General industry development	34	37
– Regional industry development	..	..
– Other or not classified	17	18
<i>Services</i>	175	267
– General industry development	81	98
– Regional industry development	..	..
– Other or not classified	94	169
<i>Manufacturing^a</i>	16	25
– General industry development	16	25
– Regional industry development	..	..
– Other or not classified	..	..
<i>Unallocated^a</i>	149	165
– General industry development	108	122
– Regional industry development	41	43
– Other or not classified	..	..
Total	624	732

.. Nil. Figures may not add up to total due to rounding. ^a The unallocated category contains programs for which the Commission could not obtain sufficient information on program beneficiaries to allocate the program to a particular sector. As noted in appendix B, the Commission considers that outlay programs in the unallocated category appear likely to predominantly assist the manufacturing sector.

Source: Commission estimates.

The estimates also include \$187 million of programs for which the principal objective of the program has not been classified, or which have ‘other’ objectives,

such as environmental, cultural or equity goals, but provide incidental assistance to industry.

A further breakdown of the estimates, by both objective and sectoral incidence, is provided in table E.1.

In terms of the sectoral distribution, \$267 million was spent on programs that provide assistance to the services sector, although the majority of this — spending on the arts and professional sports — has not been classified as having industry development as the principal objective. Another \$219 million was allocated to programs which assist the primary production sector. The table also shows that \$25 million has been recorded as assisting the manufacturing sector. However, as discussed in appendix B, the Commission considers that many of the programs in the unallocated category appear likely to predominantly assist manufacturing.

The Commission has estimated that the Queensland Government provided total payroll tax concessions in the order of \$0.8 billion to non-social welfare related businesses in 2000-01. The Commission notes that some level of general concessions, based on payroll tax thresholds can be justified on tax-efficiency grounds, and that not all of the concessions can be counted as industry assistance (appendix B).

E.2 Detailed data

Table E.2 describes different aspects of the Queensland government programs included in the Commission's estimates. For each output, program or sub-program, the table provides information (where available) on:

- the government agency responsible for the program;
- the program's scope, mode of funding and other program details;
- the program's main objective as classified by the Commission;
- the sectoral incidence of assistance as determined by the Commission; and
- funding estimates.

Table E.2 Queensland Government budgetary assistance program outlays, 2000-01 and 2001-02

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
DEPARTMENT OF STATE DEVELOPMENT					
Departmental structure for 2001-02					
<i>Business and Market Development Services</i>	Provision of investment incentives, financial assistance, information and services to assist industry development.	Industry development	Unallocated		143.01
<i>Infrastructure and Project Facilitation</i>	Facilitation and coordination of major resource and manufacturing projects. Provision of lands for firms locating or expanding in Queensland. Planning and development of public infrastructure.	Industry development	Unallocated		25.21
<i>International Trade Development</i>	Provision of market information and advice and support services to potential and existing exporters as well as international buyers.	Industry development	Unallocated		22.24
Departmental structure for 2000-01					
<i>Investment Attraction and Support</i>	Provision of financial incentives, information and facilitation services to attract investment and 'footloose' industries. Facilitation services are also provided for re-investment by existing companies through an 'after care' service, after the initial investment.	Industry development	Unallocated	31.38	

Table E.2 Queensland (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
— Queensland Investment Incentive Scheme ^d	A range of financial incentives to attract investment, including: payroll tax and land tax refunds; stamp duty refund; and establishment grants. Eligibility is assessed on a case-by-case basis.	Industry development	Unallocated	na	na
— Marketing and Information ^d	Participation in marketing campaigns and provision of information and market intelligence to potential investors.	Industry development	Unallocated	na	na
— Business Migrant Services ^d	Services are provided to attract business migrants as a source of capital and skill transfer.	Industry development	Unallocated	na	na
<i>Major Projects Development and Facilitation</i>	Facilitation and coordination of major projects. Projects may be facilitated where they are deemed to involve significant employment opportunities or investment greater than \$50 million; where there is strategic industry or regional development significance; where multi-departmental and inter-governmental issues exist; or when complex or sensitive approvals are required.	Industry development	Unallocated	15.95	
<i>International Trade Development</i>	Targeted market intelligence and advice to Queensland companies to develop export markets, through a network of domestic and international trade offices.	Industry development	Unallocated	20.71	
<i>Business Development, Information, Regulation Reform and Advice</i>	Several financial assistance schemes and business development services to Queensland businesses.	Industry development	Unallocated	18.11	
— Retail Skills Development Program ^d	Delivery of management skills training to retail firms.	Industry development	Services	na	na

Table E.2 Queensland (continued)

<i>Agency Output Program</i>	<i>Description</i>	<i>Objectives^b</i>	<i>Sector^c</i>	<i>Funding (\$ million)^a</i>	
				<i>2000-01</i>	<i>2001-02</i>
— Life in the Suburbs Scheme ^d	Funding to the Brisbane City Council for the provision of services to 700 Brisbane business clients.	Industry development	Unallocated	na	na
— Tourism Enterprise Pilot Project ^d	Delivery of tourism management modules and services in regional Queensland.	Regional industry development	Services	na	na
— Management Skills Development Program ^d	Delivery of workshops and training on management skills.	Industry development	Unallocated	na	na
— Queensland Small Business Advisory Council ^d	Development of assistance policies for small business, including the E-Commerce and Franchising Strategies.	Industry development	Unallocated	na	na
— International Women's Day Business Grant Scheme ^d	Grants to businesswomen to improve their business management skills with particular emphasis on rural and regional areas.	Other or not classified	Unallocated	na	na
— Leadership and Management Program ^d	Financial assistance to Queensland-based business, industry groups and franchisors to develop leadership and management skills of their members.	Industry development	Unallocated	na	na
— Indigenous Business Intender Product and Indigenous Business Development Grants ^d	Grants to indigenous businesses to improve their business development.	Other or not classified	Unallocated	na	na
— Enterprise Education Programs ^d	Financial and planning support to projects to develop business entrepreneurship skills for young people.	Industry development	Unallocated	na	na

Table E.2 Queensland (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
— Computer Applications for Small Enterprises Project ^d	Provision of information, workshops and seminars for the uptake of e-commerce by small firms.	Industry development	Unallocated	na	na
— QeNET Project ^d	Delivery of e-commerce programs in 20 regional locations.	Regional industry development	Unallocated	na	na
— E-Commerce Grants Scheme ^d	Grants target small firms and supply chains for adoption of e-commerce solutions to business problems.	Industry development	Unallocated	na	na
— Queensland Business Licence Information Centre ^d	Licence processing, referral and advice.	Industry development	Unallocated	na	na
— Projects and Events ^d	Provision of information and matching services to business to access contracts relating Olympic Games and major events.	Industry development	Unallocated	na	na
— Australian Industry Defence Network ^d	Development of a network of companies to access defence procurement contracts.	Industry development	Unallocated	na	na
<i>Industries Opportunities and Development</i>	Assistance programs include direct facilitation of infrastructure projects, a targeted industry grants program, structural and enterprise adjustment and the administration of State and Commonwealth grants.	Industry development	Unallocated	29.65	
— Queensland Manufacturing Institute ^d	Funding to deliver technology diffusion services and establishment of an Advanced Visualisation Facility.	Industry development	Manufacturing	na	na

Table E.2 Queensland (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
— Collaborative Industry Venture ^d	Grants to establish Centres of Excellence in Composite Fibre Technology, Soft Shell Crabs and Intellectual Property.	Industry development	Unallocated	na	na
— Queensland Parallel Supercomputing Foundation ^d	Support for establishment of a supercomputing infrastructure facility.	Industry development	Unallocated	na	na
— Aquaculture industry ^d	Streamlining of approval processes, development of best practice in sustainable operations, and investment attraction to priority regions.	Industry development	Primary production	na	na
— Sugar Research Institute ^d	Grants of \$4.56 million for sugar renewable energy research and demonstration projects.	Industry development	Primary production	na	na
— Sustainable Minerals Institute ^d	Funding of \$10 million over three years to establish the research institute as a partnership between the Government, industry and academic researchers.	Industry development	Mining	na	na
— Local Industry Policy ^d	Several measures designed to give firms access to government infrastructure and projects, including: <ul style="list-style-type: none"> • A requirement that public projects of greater than \$5 million have an Industry Participation Plan when proposals are submitted to Cabinet for approval; • Government-owned corporations must report annually on the level of local industry involved in projects over \$5 millions or prepare an Industry Participation Plan; 	Industry development	Unallocated	na	na

Table E.2 **Queensland (continued)**

<i>Agency Output Program</i>	<i>Description</i>	<i>Objectives^b</i>	<i>Sector^c</i>	<i>Funding (\$ million)^a</i>	
				<i>2000-01</i>	<i>2001-02</i>
	<ul style="list-style-type: none"> • Assistance to the (Queensland) Industry Office Supplies; • Establishment of the Local Industry Taskforce and Committee to oversight and implement the policy. 				
— Targeted Industry Grants program and Queensland Industry Development Grants Scheme (QIDS) ^d	As part of the Target Industry Grants program, the QIDS assists firms and industries deemed to have the potential to increase employment, sales, investment, profitability and R&D. Subsidies are provided on a dollar-for-dollar basis up to 50 per cent of eligible costs. Assistance above \$50 000 is assessed on a case-by-case basis. Total funding of the program is \$8.5 million per year over 3 years.	Industry development	Unallocated	na	
<i>Regional Development</i>	Financial assistance and services to support regional development corporations, programs and strategies, provision and distribution of commercial intelligence on regional issues and regional economic trends.	Regional industry development	Unallocated	41.17	
— Regional Business Development Scheme ^d	Assistance to companies and regional groups to identify opportunities for economic development. Projects funded include identification of industry development opportunities, institutional strengthening and capacity building, and strategic land use planning for business, industry and tourism.	Regional industry development	Unallocated	na	
— Workcover Assistance Scheme ^d	Assistance to meat processors in Queensland.	Industry development	Manufacturing	na	

Table E.2 Queensland (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
— South East Queensland Hardwood Timber Industry Growth and Development Assistance Scheme ^d	The assistance is part of the implementation of the South East Queensland Forests Agreement, which transferred the Boral Timber's Nandroya Sawmill and Cooroy Board Plant into Queensland Government ownership.	Industry development	Primary production	na	
— Boral Timber Worker Support Package ^d	The assistance is part of the implementation of the South East Queensland Forests Agreement (see above).	Industry development	Primary production	na	
State Infrastructure Planning and Coordination	Research, planning and coordination services to provide appropriate land and infrastructure for significant economic development opportunities. Development of policies and implementation of strategies to encourage private sector provision of infrastructure.	Industry development	Unallocated	8.47	
Property Services Group (PSG) and Industry Location Scheme	The PSG operates as a 'commercialised business unit' to deliver a range of property services under the <i>Industry Location Scheme</i> . The PSG holds land to ensure that business has access to suitable sites. Its activities include industrial land acquisitions, sales, maintenance, lease management and development and buildings construction. Funding is drawn from the Estates Construction Fund which includes property-related and direct assistance mechanisms.	Industry development	Unallocated	na	
Sub-total for Department of State Development				165.43	190.46

Table E.2 Queensland (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
DEPARTMENT OF TOURISM, RACING AND FAIR TRADING					
<i>Olympic 2000 Opportunities for Queensland</i>	Attraction of Olympic Games-related business to Queensland. Marketing of Queensland's international standard sporting facilities and tourism attractions.	Industry development	Services	0.08	..
Sub-total for Department of Tourism, Racing and Fair Trading					
TOURISM QUEENSLAND					
<i>Tourism Policy, Destination Development and Marketing</i>	Marketing of tourism and regional tourism development and policy development, including funding of a network of 14 regional tourism organisations.	Industry development	Services	42.91	45.4
Sub-total for Tourism Queensland					
QUEENSLAND EVENTS CORPORATION					
<i>Major Event Securement and Support</i>	Attraction and development of major events in low season with the aim of creating stability and certainty of employment. Assistance to tourist operators with budget planning and forecasting.	Other or not classified	Services	6.73	7.40
<i>Queensland Events Regional Development Program</i>	Attraction of major events to regional Queensland.	Other or not classified	Services	..	1.00
Sub-total for Queensland Events Corporation					

Table E.2 Queensland (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
DEPARTMENT OF INNOVATION AND INFORMATION ECONOMY, SPORT AND RECREATION					
<i>Minor Grants and Subsidies</i>	Development of policies on R&D, innovation and information technology. Delivery of a range of assistance programs.	Other or not classified	Services	6.03	5.46
<i>Sport and Recreation</i>	Funding of sports infrastructure and programs, and staging of sports tournaments, including: the Olympic Football Tournament; redevelopment of the Suncorp Metway Stadium to attract major sport events.	Other or not classified	Services	16.51	22.12
Major grants and subsidies: ^e					
— Innovation Start-up Scheme	Subsidies of up to \$75 000 are available to assist companies to commercialise technologies. Assistance includes business feasibility workshop and tailored assistance for business development.	Industry development	Unallocated	0.59	0.76
— Institute of Molecular Bioscience Construction	Funding for construction cost of the Institute.	Industry development	Unallocated	1.55	9.09
— Institute of Molecular Bioscience Operational	Funding of the operating cost of the Institute for research and development and bioindustries.	Industry development	Unallocated	5.5	5
— iLab Pty Ltd	Operates as a technology incubator to provide start-up firms with support, mentoring, venture capital and shared accommodation and facilities.	Industry development	Unallocated	na	0.94
— Queensland Parallel Supercomputing Foundation	Grants and subsidies to upgrade infrastructure.	Industry development	Unallocated	2.50	5.5

Table E.2 **Queensland** (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
— Cooperative Research Centre for Enterprise Distributor System Technology	Grants to research and development.	Industry development	Unallocated	1.00	1.00
— Cooperative Research Centre for Satellite Systems	Grants to research and development.	Industry development	Unallocated	0.36	0.36
— Cooperative Research Centre for Diagnostics	Grants to research and development.	Industry development	Unallocated	-	0.10
— Cooperative Research Centre for Vaccine Technology	Grants to research and development.	Industry development	Unallocated	0.03	0.10
— BioStart Pty Ltd	Funding to assist high potential technology research at "proof of concept" stage.	Industry development	Unallocated	-	2.07
— Centre for Biomolecular Science and Drug Discovery	Funding towards construction costs of the centre.	Industry development	Unallocated	4.50	3.50
— National Standards Sport Facilities	Grants and subsidies to sports facilities.	Other or not classified	Services	9.69	7.76
— State Sport and Recreation Development	Grants and subsidies to sports programs.	Other or not classified	Services	5.79	11.45
Sub-total for Department of Innovation and Information Economy, Sport and Recreation				54.05	75.21

Table E.2 Queensland (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
GOLD COAST EVENT COMPANY					
— Indy Car Event	Grant to race organisers to assist with the cost of staging the 2002 Indy Car event in Gold Coast.	Other or not classified	Services	10.70	10.95
Sub-total for Gold Coast Events Company				10.70	10.95
DEPARTMENT OF EMPLOYMENT AND TRAINING					
— Aviation Centre of Excellence	As part of the recent attraction of aviation and aerospace industries to Queensland, the Government provides funding of \$10 million to establish the Centre to provide vocational training and higher education on aviation maintenance and training skills.	Other or not classified	Services	na	2.59
— Building and Construction Industry Training Fund	A training fund for employers to engage apprentices in skill shortage areas of the building and construction industries.	Other or not classified	Services	na	6.03
— Private Sector Employment Initiative	Assistance to private sector employers and group training organisations to employ additional apprentices or trainees in targeted skill shortages industries.	Other or not classified	Unallocated	na	na
Sub-total for Department of Employment and Training				na	8.62
ARTS PORTFOLIO AGENCIES					
Arts Queensland					

Table E.2 Queensland (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
<i>Assistance to the Arts</i>	Delivery of arts funding programs; development of arts infrastructure; partnership with industry; and policy development for arts and cultural industries. Under Arts Queensland, the new Millennium Arts Program provides significant funding to assist the arts industries, including funding for a range of arts and cultural facilities and projects.	Other or not classified	Services	24.69	82.20
Queensland Art Gallery					
<i>Access to Visual Arts</i>	Exhibitions and presentations of arts works. Assistance to artists.	Other or not classified	Services	9.79	10.82
Queensland Museum					
<i>Museum Services</i>	Exhibitions and presentations of cultural and arts works.	Other or not classified	Services	14.73	14.96
Queensland Performing Arts Trust					
<i>Venue Management, Theatrical Productions, and Performing Arts Development</i>	Management of performing arts venues, production of arts festivals, and dance, theatrical and musical performances, and partnership with arts companies.	Other or not classified	Services	8.62	7.66
Queensland Theatre Company					
<i>Theatre Production</i>	Production and presentation of plays and theatrical works.	Other or not classified	Services	2.71	2.91

Table E.2 Queensland (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
DEPARTMENT OF NATURAL RESOURCES AND MINES					
<i>Mineral and Petroleum Exploration and Development</i>	Provision of services, information and advice to facilitate mining explorations and development of mineral and petroleum industries.	Industry development	Mining	33.71	36.95
<i>Mining Safety and Health</i>	Funding of audit and inspection services, education programs and an emergency response capability to provide health and safety protection involved in mining, quarrying, explosives, petroleum and gas industries. Research services are also undertaken to facilitate safe mining industry practices.	Other or not classified	Mining	17.18	18.18
Sub-total for Department of Natural Resources and Mines				50.89	55.13
DEPARTMENT OF PRIMARY INDUSTRIES					
<i>Food and Fibre Science and Innovation</i>	Provision of research and development and extension services to the food and fibre industries.	Industry development	Primary production	98.80	96.82
<i>Market Access and Development</i>	Provision of services and information to develop export markets for the agricultural sector. Assistance includes development of food-chain alliances, provision market intelligence, effective pest and disease surveillance and response and management systems.	Industry development	Primary production	36.99	44.18
<i>Rural Community Development</i>	Provision of training subsidies, information, skill development, and increased access to government services to facilitate the management of economic, social and natural resource issues in the farm sector.	Industry development	Primary production	25.35	33.11

Table E.2 Queensland (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
Fisheries	Promotion of sustainable development and competitiveness of Queensland commercial and recreational fishing and aquaculture industries and protection of the environment on which these industries depend through the provision of development and management services.	Industry development	Primary production	42.08	30.19
Sub-total for Department of Primary Industries				203.22	204.30
QUEENSLAND RURAL ADJUSTMENT AUTHORITY					
Government Rural Assistance Administration	Several State financial assistance schemes to rural industries, including: FarmBis, Rural Adjustment Scheme Regional Programs, Tobacco Assistance Package, East Coast Trawl Adjustment, and the Development Infrastructure Scheme.	Regional industry development	Primary production	29.71	14.79
Sub-total for Queensland Rural Adjustment Authority				29.71	14.79
TOTAL BUDGETARY OUTLAY ASSISTANCE⁹				624.26	731.81

.. Nil; na not available. Figures for individual programs may not add up to total due to rounding.

^a Funding estimates were derived as follows.

- The estimates are compiled for 2000-01 and 2001-02, using the *Ministerial Portfolio Statements 2001-02* (Queensland Government 2001a) and information provided by Queensland Treasury.
- The estimates represent the 'State contribution' of funding to total output (or program) costs as shown in the *Ministerial Portfolio Statements 2001-02* (Queensland Government 2001a). This excludes user charges, industry contributions and Commonwealth grants.

- The figures are indicative only and are likely to be revised by the Queensland Government.
 - The assistance sub-total for each agency is computed as the sum of individual output funding (in italics). Where information is available, funding figures for individual programs, sub-programs or grants and subsidies are also shown, but are not included in the calculation of the sub-total.
- b** Program objectives are classified according to whether the main aim of the program is to promote:
- general industry development;
 - regional industry development;
 - other objectives — such as cultural objectives for funding of the arts; or
 - not classified — programs which are difficult to allocate into one of the above categories.
- c** To give some indication of the incidence of assistance based on the information available, the Commission has classified the programs according to the broad sectors to which they primarily benefit. These sectoral classifications include:
- primary production — agriculture, forestry and fishing;
 - manufacturing;
 - mining;
 - services; and
 - unallocated — information is not available to determine the incidence of assistance.
- d** These information are drawn from Department of State Development (2001), Department of Industry, Science and Resources (Commonwealth) (2001) and Department of Industry, Tourism and Resources (Commonwealth) (2002).
- e** These information are drawn from Department of Innovation and Information Economy, Sport and Recreation (2001).
- f** The funding figures are drawn from Queensland Rural Adjustment Authority (2002).
- g** The outlay data includes some minor tax concessions that are included, but not separately costed, in state budget papers as part of the overall expenditure for an agency or investment incentive program.

Sources:

- Department of State Development (Queensland) 2001, *Annual Report 2000-01*, Brisbane.
- Department of Innovation and Information Economy, Sport and Recreation (Queensland) 2001, *Annual Report 2000-01*, Brisbane.
- Industry Commission 1996, *States, Territory and Local Government Assistance to Industry*, Report No. 55, AGPS, Canberra, October.
- Queensland Government 2001a, *Ministerial Portfolio Statements, 2001-02 State Budget*, Brisbane.
- Queensland Government 2001b, *Capital Statement, 2001-02 State Budget*, Budget Paper No. 4, Brisbane.
- Queensland Rural Adjustment Authority 2002, *Annual Report 2001-02*, Brisbane.

F Western Australian budgetary assistance estimates

For this year's *Trade & Assistance Review*, the Commission has developed estimates of the budgetary assistance to industry provided by the States and Territories for the years 2000-01 and 2001-02. The Commission's definitions, classifications and the methodology employed in compiling the estimates are set out in appendix B.

In this appendix, the Commission presents summary data on the budgetary assistance estimates for Western Australia, together with detailed tables on the budgetary outlay programs contained in the estimates. The estimates should be interpreted in conjunction with the information and explanations in appendix B.

F.1 Summary data

The estimates indicate that the Western Australian Government outlaid \$383 million in 2000-01, and \$375 million in 2001-02, on programs that provide assistance to industry (table F.1). Some relatively minor tax concessions are included in these figures.

Of the \$375 million expended in 2001-02, at least \$247 million was directed to programs classified as having a general industry development objective (table F.1). The actual figure may be larger as some of the programs in the 'other and not classified' category may also have a general industry development objective (see appendix B).

A further \$19 million was directed to programs classified as having a regional industry development objective. Again, this estimate should be considered to be a lower bound. This is mainly because of the way the regional industry development category has been defined, in conjunction with the way the Commission has classified various programs. These have resulted in some significant assistance programs that support regional industries, in particular primary production, being excluded from the category (see appendix B). Were spending on primary production and mining by the Western Australian Government to be included in this category,

the total expenditure on regional industry development assistance would have amounted to some \$210 million in 2001-02.

Table F.1 **Western Australian Government budgetary assistance program outlays, by sectors and objectives, 2000-01 and 2001-02**

\$ million

	2000-01	2001-02
Principal objective		
Industry development	259	247
Regional industry development	21	19
Other or not classified	103	109
Sector		
<i>Primary production</i>	176	155
– General industry development	164	143
– Regional industry development	2	1
– Other or not classified	9	11
<i>Mining</i>	31	35
– General industry development	12	17
– Regional industry development	..	..
– Other or not classified	18	18
<i>Services</i>	108	116
– General industry development	33	37
– Regional industry development		
– Other or not classified	76	79
<i>Manufacturing^a</i>	3	3
– General industry development	3	3
– Regional industry development	..	..
– Other or not classified	..	..
<i>Unallocated^a</i>	65	66
– General industry development	46	48
– Regional industry development	19	18
– Other or not classified	..	..
Total	383	375

.. Nil. Figures may not add up to total due to rounding. ^a The unallocated category contains programs for which the Commission could not obtain sufficient information on program beneficiaries to allocate the program to a particular sector. As noted in appendix B, the Commission considers that outlay programs in the unallocated category appear likely to predominantly assist the manufacturing sector.

Source: Commission estimates.

The estimates also include \$109 million of programs for which the principal objective of the program has not been classified, or which have ‘other’ objectives,

such as environmental, cultural or equity goals, but provide incidental assistance to industry.

A further breakdown of the estimates, by both objective and sectoral incidence, is provided in table F.1.

In terms of the sectoral distribution, \$155 million in funding was allocated to programs on primary production. Another \$116 million was spent on programs that provide assistance to the services sector, although most of this — spending on the arts and professional sports — has not been classified as having industry development as the principal objective. The table shows that little funding has been recorded as assisting the manufacturing sector. However, as discussed in appendix B, the Commission considers that many of the programs in the unallocated category appear likely to predominantly assist manufacturing.

The Commission has estimated that the Western Australian Government provided total payroll tax concessions in the order of \$0.5 billion to non-social welfare related businesses in 2000-01. The Commission notes that some level of general concessions, based on payroll tax thresholds can be justified on tax-efficiency grounds, and that not all of the concessions can be counted as industry assistance (appendix B).

F.2 Detailed data

Table F.2 describes different aspects of the Western Australia government programs included in the Commission's estimates. For each output, program or sub-program, the table provides information (where available) on:

- the government agency responsible for the program;
- the program's scope, mode of funding and other program details;
- the program's main objective as classified by the Commission;
- the sectoral incidence of assistance as determined by the Commission; and
- funding estimates.

Table F.2 Western Australian Government budgetary assistance program outlays, 2000-01 and 2001-02

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
DEPARTMENT OF INDUSTRY AND TECHNOLOGY					
<i>Industry Development Services</i>	Promotion of industry growth in Western Australia through: grants, subsidies, advice and information, operation of an overseas network service, facilitation of promotional and trade events, commercialisation of government intellectual property, and administration of assistance schemes.	Industry development	Unallocated	24.77	22.68
<i>Innovation and Technology Services</i>	Development of online business solutions and provision of grants and subsidies, advice and information, and promotional and trade events.	Industry development	Unallocated	6.51	6.26
<i>Infrastructure Facilitation</i>	Industry development and provision of strategic infrastructure, services and projects.	Industry development	Unallocated	6.01	10.28
Sub-total for Department of Industry and Technology				37.28	39.22
Under these broad assistance outputs, the individual assistance schemes include:					
— Industry Incentive Scheme ^d	Capital grants, concessional loans and development of public infrastructure to attract major capital investments projects of strategic importance to WA. Funding varies up to \$5 million per project.	Industry development	Unallocated	na	na
— Prefeasibility Study Funding ^d	A subsidy of up to \$20 000 is available to small and medium enterprises for consultancy costs of prefeasibility studies to assess commercial viability and investment potential.	Industry development	Unallocated	na	na

Table F.2 Western Australia (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
— Western Australian Innovation Support Scheme ^d	Project grants (between \$20 000 and \$50 000) are provided on a matching basis to encourage companies to undertake R&D.	Industry development	Unallocated	0.70	1.14
— Accelerated Product Development Scheme ^d	A subsidy up to \$6000 for the cost of attending workshops to enhance product development skills.	Industry development	Unallocated	na	na
— Investment Ready Scheme ^d	Provision of workshops and information to small businesses to assist their preparations to take on equity investment to fund innovation and growth.	Industry development	Unallocated	na	na
— Centres of Excellence for Industry-Focussed Research and Development (COE) Program ^d	Provision of funding to existing and proposed R&D centres with a significant base in Western Australia. <ul style="list-style-type: none"> • <i>Strategic Planning Support:</i> a subsidy of up to \$20 000 on a matching basis for the development of strategic plans to apply for further funding support under the COE program. • <i>Application Support:</i> a subsidy of up to \$10 000 on a matching basis to enhance applications to Commonwealth Government R&D schemes, including the Cooperative Research Centres (CRCs) Program. • <i>Major Funding Support:</i> a subsidy of \$250 000 or more on a matching basis for the establishment of centres of excellence and for the leveraging of funding to CRCs with a Western Australia presence. 	Industry development	Unallocated	na	na

Table F.2 Western Australia (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
— AuStep ^d	Provision of various services and infrastructure to assist partnerships between technology-based SMEs to develop new products.	Industry development	Unallocated	na	na
— Marketing Research Initiatives Fund ^d	A subsidy of up to \$5000 for industry groups to offset overseas market research or travel costs.	Industry development	Unallocated	na	na
— International Projects Market Support Scheme ^d	A subsidy of up to 30 per cent of eligible expenses incurred on visits designed to develop or secure international project contracts.	Industry development	Unallocated	na	na
— Market Development Support Scheme ^d	A subsidy of up to 30 per cent of eligible costs of trade missions and exhibitions undertaken by WA industry groups and companies to develop markets overseas or in other states.	Industry development	Unallocated	na	na
— Business and Market Planning Scheme ^d	A subsidy of up to \$5000 for the costs of developing a business plan by manufacturing and service firms to improve their competitiveness.	Industry development	Unallocated	na	na
— Business Visit Scheme ^d	A subsidy of up to 50 per cent of air travel to or from WA for potential international visitors, buyers or investors.	Industry development	Unallocated	na	na
— Industry Sector Association Executive Officer Support Program ^d	A subsidy of up to \$80 000 per year for a maximum of 3 years to assist the establishment or the ongoing operations of industry associations, including employment of an executive officer.	Industry development	Unallocated	0.39	0.27

Table F.2 Western Australia (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
— Regional Business Assistance Program ^d	A subsidy of up to \$10 000 for consultancy costs of financial and management assessments to assist regional manufacturing and service businesses whose continuing viability may be under threat.	Regional industry development	Unallocated	na	na
— Regional Interstate/Overseas Assistance Program ^d	A subsidy of \$10 000 for air travel costs to assist regional businesses to undertake interstate or overseas market research.	Regional industry development	Unallocated	na	na
— Regional Intrastate Travel Assistance Scheme ^d	A subsidy of up to \$10 000 to assist businesses located in the North of the state to offset the cost of travelling expenses to Perth to meet potential buyers or investors.	Regional industry development	Unallocated	na	na
— Regional Sample Assistance Scheme ^d	A subsidy of up to \$10 000 to reimburse regional businesses for transport, documentation and inspection costs of samples provided free of charge to potential buyers — to secure new or existing interstate or international markets.	Regional industry development	Unallocated	na	na
— Regional Trade Promotion Scheme ^d	A subsidy of up to \$10 000 to reimburse regional businesses for overseas promotions of WA products and services for exports.	Regional industry development	Unallocated	na	na
— Helping Small Businesses with E-commerce Strategies ^d	Provision of planning and development services related to e-commerce to improve competitiveness of small businesses.	Industry development	Unallocated	na	na
— Western Australian Indigenous Business Awards ^d	Sponsorship of the Awards.	Other or not classified	Unallocated	na	na

Table F.2 **Western Australia** (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
— Aboriginal Community Stores ^d	Several programs provide services and financial assistance to Aboriginal communities to improve management systems and skills; employ management expert services; and adopt point of sale technology.	Other or not classified	Unallocated	na	na
— Indigenous Economic Development Scheme ^d	A subsidy of up to \$10 000 for planning and improvement of indigenous enterprises.	Other or not classified	Unallocated	na	na
DEPARTMENT OF MINERAL AND PETROLEUM RESOURCES					
<i>Health, Safety and Environmental Services</i>	Provision of information and administrative and regulatory services to facilitate occupational health and safety and the environment for the mineral and petroleum resources industries.	Other or unclassified	Mining	15.55	15.13
<i>Project and Infrastructure Facilitation Services</i>	Facilitation services to assist private investment in resources development and infrastructure projects through coordinated, timely government decision-making and approvals procedures.	Industry development	Mining	11.50	15.68
<i>Investment attraction services</i>	Provision of information and advice to potential investors about investment opportunities for resources development in Western Australia, especially in the downstream processing of resources.	Industry development	Manufacturing	3.03	3.11
<i>Scientific Services</i>	Provision of chemical information, advice and analytical services to government agencies, industry and research groups.	Other or not classified	Unallocated	2.74	3.32
Sub-total for Department of Mineral and Petroleum Resources				32.81	37.24

Table F.2 Western Australia (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
MINERALS AND ENERGY RESEARCH INSTITUTE OF WESTERN AUSTRALIA					
<i>Finance and co-ordinate minerals research</i>	Grants for mineral and energy industry research.	Industry development	Mining	0.65	0.61
<i>Finance and co-ordinate alternative energy research and development</i>	Grants for alternative energy research.	Industry development	Unallocated	0.26	0.26
Sub-total for Minerals and Energy Research Institute of Western Australia				0.91	0.88
WESTERN AUSTRALIAN TOURISM COMMISSION					
<i>Destination Marketing</i>	Promotion of overseas and domestic tourism to Western Australia. Implementation of cooperative marketing campaigns with the tourism industry. Development of tourism product information distribution systems to assist tourism marketing activities.	Industry development	Services	13.10	13.74
<i>Event Tourism</i>	Preparation of bids for events that could be hosted in Western Australia. Promotional campaigns of Western Australia via events.	Industry development	Services	7.90	10.13
<i>Convention and Incentive Travel</i>	Payment to the Perth Convention Bureau to develop new national and international meetings and incentive travel business; preparation of bids for new business, assistance and working with the tourist industry to raise delegate numbers and increase conference related touring activities.	Industry development	Services	1.07	1.06

Table F.2 Western Australia (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
<i>Industry Development</i>	Promotion of investments in developing new tourist infrastructure and products, and improving existing tourist facilities and services.	Industry development	Services	7.90	4.60
<i>Visitor Servicing</i>	Provision of information on tourist destinations and booking mechanism through a State-wide visitor servicing network and a central "call-centre".	Industry development	Services	2.93	2.88
Sub-total for Western Australian Tourist Commission				32.90	32.40
SMALL BUSINESS DEVELOPMENT CORPORATION					
<i>Information, Guidance, Referral and Business Development Services</i>	Grants, information, referral, and business facilitation services for business development.	Industry development	Unallocated	8.91	8.35
— Business Enterprise Centre Operational Grant	Grants and subsidies.			2.45	2.45
— Business Innovation Development	Grants and subsidies.			0.03	0.04
— Small Business Improvement Program	Grants and subsidies.			0.61	0.57
— Small Business Guarantee	Grants and subsidies.			0.00	0.25
Sub-total for Small Business Development Corporation				8.91	8.35

Table F.2 **Western Australia** (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
WESTERN AUSTRALIAN SPORTS CENTRE TRUST					
<i>Management of elite sport facilities</i>	Management and maintenance of facilities of an international level for elite sport programs.	Other or not classified	Services	11.75	10.00
<i>Management of Community Sport, Entertainment and Recreation Facilities</i>	Management and marketing of community sport, entertainment and recreation facilities.	Other or not classified	Services	1.84	3.17
Sub-total for Western Australian Sports Centre Trust				13.58	13.16
MINISTRY FOR CULTURE AND THE ARTS					
<i>Art Gallery Services</i>	Delivery of the State Art Collection and access to art gallery services and programs through visual arts advocacy, collection development, facilities and services.	Other or not classified	Services	15.52	16.40
<i>Museum Services</i>	Delivery and promotion of museum services through collection development and management, research, education and visitor services.	Other or not classified	Services	16.68	19.85
<i>Arts Industry Support</i>	Development, funding and promotion of the arts industry.	Other or not classified	Services	16.91	17.67

Table F.2 Western Australia (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
Screen Production Industry Support	Provision of funding and services to assist the development of the screen production industry in Western Australia.	Other or not classified	Services	1.68	2.59
Venue Management Services	Management and promotion of performing arts venues.	Other or not classified	Services	6.40	6.32
Art Gallery of Western Australia	Capital contribution.	Other or not classified	Services	0.91	0.91
Perth Theatre Trust	Capital contribution.	Other or not classified	Services	1.25	0.50
Western Australian Museum	Capital contribution.	Other or not classified	Services	1.61	0.80
Sub-total for Ministry of Culture and the Arts				60.95	65.04
DEPARTMENT OF RACING, GAMING AND LIQUOR					
Funds injection into the racing industry	To provide immediate assistance to the racing industry, the Government introduced a rebate equivalent to 0.5 per cent of TAB betting turnover in 2001. The rebate was preferred over the tax rate reduction previously announced. Total cost of this measure is estimated to be \$18.1 million over four years.	Other or not classified	Services	..	4.39
Sub-total for Racing, Gaming and Liquor				..	4.39

Table F.2 **Western Australia** (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
GOLDFIELDS-ESPERANCE DEVELOPMENT COMMISSION					
<i>Industry and Enterprise Development</i>	Provision of financial assistance and facilitation services to industry and business for economic development of the region.	Regional industry development	Unallocated	0.61	0.50
<i>Coordination of Infrastructure Identification</i>	Support to industry groups, local communities and firms to identify their infrastructure needs and obtain government assistance.	Regional industry development	Unallocated	0.17	0.13
<i>Regional Promotion</i>	Facilitation services, promotions and attractions of investment for economic development of the region.	Regional industry development	Unallocated	0.33	0.52
Sub-total for Goldfields-Esperance Development Commission				1.11	1.14
PERTH INTERNATIONAL CENTRE FOR APPLICATION OF SOLAR ENERGY					
<i>Promotion, development and application of solar energy</i>	Marketing activities, delivery of education and training programs, and facilitation of international collaboration for the development of renewable energy technology.	Other or not classified	Unallocated	0.98	0.84
Sub-total for Perth International Centre for Application of Solar Energy				0.98	0.84
DEPARTMENT OF AGRICULTURE					
<i>Industry and Market Development</i>	Information products and services to identify market opportunities, develop new varieties and improve productivity in agricultural industries.	Industry development	Primary production	80.77	69.49

Table F.2 Western Australia (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
<i>Sustainable rural development</i>	Information products and services, landcare grants, resources and regulatory assessments, and facilitation of management plans for salinity, water, vegetation and rangeland and environmental management.	Industry development	Primary production	40.23	29.26
<i>Agriculture protection</i>	Provision of diagnostic and quarantine services for animal and plant disease control.	Industry development	Primary production	29.64	31.67
Sub-total for Department of Agriculture				150.64	130.41
AGRICULTURE PROTECTION BOARD					
<i>Agriculture Resource Protection</i>	Providing protection for agriculture and related resources through the prevention, eradication and control of specified plant and animal pests.	Industry development	Primary production	2.50	2.29
Sub-total for Agriculture Protection Board				2.50	2.29
RURAL BUSINESS DEVELOPMENT CORPORATION (RBDC)					
<i>Farm Business Development</i>	The RBDC assists farmers to improve their skills and risk management capacity.	Industry development	Primary production	0.18	0.16
Sub-total for Rural Business Development Corporation				0.18	0.16

Table F.2 **Western Australia** (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
FISHERIES DEPARTMENT					
<i>Management of State's Commercial Fisheries</i>	Provision of advice, collection and analysis of data, research, development of management strategies and regulation enforcement for commercial fisheries.	Industry development	Primary production	8.72	6.94
<i>Management of the State's Recreational Fisheries</i>	Provision of advice, collection and analysis of data, research, development of management strategies and regulation enforcement for recreational fisheries. Includes licensing in relation to certain commercially-harvested fish stocks, and regulation of the aquatic eco-tour industry, to ensure sustainable development of fisheries resources.	Other or not classified	Fisheries	6.70	8.57
<i>Development and Promotion of the State's Aquaculture Industry</i>	Assistance to develop sustainable aquaculture (including pearl production) through provision of policy advice, infrastructure and research provision, and development of policies and regulations for the aquaculture industry.	Industry development	Primary production	2.37	3.23
<i>Management and Conservation of Fish and Fish Habitat.</i>	Protection of the State's fish habitat via provision of information and advice, resources monitoring, research, and developing policies and regulations.	Other or not classified	Primary production	2.33	2.46
Sub-total for Fisheries				20.11	21.20
MID-WEST DEVELOPMENT COMMISSION					
<i>Information and Advice</i>	Provision of information and assistance with: networking; coordination; access to industry assistance programs; identification of local business opportunities and facilitation services.	Regional industry development	Unallocated	0.45	0.48

Table F.2 Western Australia (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
<i>Investment Facilitation</i>	Promotion and facilitation of local business for exporting and investment.	Regional industry development	Unallocated	0.44	0.35
<i>Infrastructure and Services Development in the Mid West</i>	Development of infrastructure and support to secure government funding to assist local business.	Regional industry development	Unallocated	2.29	0.66
Sub-total for Mid West Development Commission				3.18	1.48
WHEATBELT DEVELOPMENT COMMISSION					
<i>Information and Promotion Services</i>	Promotion of the region and provision of information and advice to business to access potential markets.	Regional industry development	Unallocated	0.56	0.73
<i>Facilitation Services</i>	Assistance and facilitation services to encourage development of infrastructure and new industries.	Regional industry development	Unallocated	0.74	0.49
Sub-total for Wheatbelt Development Commission				1.30	1.22
GREAT SOUTHERN DEVELOPMENT COMMISSION					
<i>Leadership in Regional and Community Development</i>	Assistance to expand community enterprises through marketing of the region, cooperating with government agencies and communities, and securing external funding for local projects.	Regional industry development	Unallocated	0.40	0.25

Table F.2 Western Australia (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
<i>Supporting and Facilitating Business and Enterprise Development</i>	Assistance to broaden the region's economic base through industry partnerships, facilitation services and implementation of projects to encourage investment.	Regional industry development	Unallocated	0.93	0.47
<i>Facilitate Regional Infrastructure</i>	Development of capital infrastructure and securing external funding for local projects.	Regional industry development	Unallocated	0.52	0.65
<i>Support Natural Resource Management</i>	Promotion and provision of information and advice on local business opportunities and support of natural resource development through partnership with government agencies and communities.	Regional industry development	Unallocated	0.13	0.29
Sub-total for Great Southern Development Commission				1.97	1.65
KIMBERLEY DEVELOPMENT COMMISSION					
<i>Policies, Strategies and Plans</i>	Planning, policies and promotion for economic development of the region, including attraction of new businesses.	Regional industry development	Unallocated	0.58	0.54
<i>Industry and Enterprise Development</i>	Facilitation and promotion of regional industries and enterprises, attraction of new investments and provision of financial assistance.	Regional industry development	Unallocated	1.03	0.88
Sub-total for Kimberley Development Commission				1.61	1.43

Table F.2 **Western Australia** (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
PILBARA DEVELOPMENT COMMISSION					
Business and Industry Development	Identification and coordination of projects to encourage industry development. Provision of assistance and advice to small business, industry and government bodies.	Regional industry development	Unallocated	1.59	0.59
Infrastructure and Service Identification and Coordination	Identification of infrastructure and service needs for industry development and coordination of infrastructure projects.	Regional industry development	Unallocated	0.37	1.38
Regional Promotion and Information Services	Provision of information and promotion of the advantages of the region for living and visiting.	Regional industry development	Unallocated	0.29	0.37
Sub-total for Pilbara Development Commission				2.26	2.34
GASCOYNE DEVELOPMENT COMMISSION					
Policies, Strategies and Plans	Development of policies and planning and facilitates their implementation: including industry marketing, resources and environment management, and industry development.	Regional industry development	Unallocated	0.33	0.26
Industry and Enterprise Development	Assistance to local industry development and promotion of investment opportunities.	Regional industry development	Unallocated	0.46	0.36
Infrastructure Identification and Coordination	Identification of infrastructure and service needs for industry development and development of local infrastructure projects.	Regional industry development	Unallocated	0.40	0.52

Table F.2 **Western Australia** (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
<i>Regional Promotion</i>	Promotion of the region's lifestyle and investment opportunities.	Regional industry development	Unallocated	0.21	0.16
Sub-total for Gascoyne Development Commission					
1.40					
PEEL DEVELOPMENT COMMISSION					
Facilitation and coordination	Assistance to the region to enhance economic opportunities for balanced economic and social development through facilitation and coordination of regional industry development activities.	Regional industry development	Unallocated	1.50	1.28
Advice and Information	Provision of information and advice on regional development opportunities; assistance to retain existing businesses as well as to attract new industries to the region.	Regional industry development	Unallocated	0.54	0.43
Sub-total for Peel Development Commission					
2.04					
SOUTH WEST DEVELOPMENT COMMISSION					
<i>Regional Development</i>	To provide regional development service to develop and promote the South West through the provision of information, advice, assistance and marketing of the region.	Regional industry development	Unallocated	3.94	5.49
Sub-total for South West Development Commission					
3.94					
5.49					

Table F.2 **Western Australia** (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
WATER AND RIVERS COMMISSION					
Rural Water Supply Assistance	Funding and grants to increase the availability of reliable water supplies for farming and rural areas.	Regional industry development	Services	2.42	1.29
Sub-total for Water and Rivers Commission				2.42	1.29
TOTAL BUDGETARY OUTLAY ASSISTANCE^e				382.97	374.63

.. Nil; na not available. Figures for individual programs may not add up to total due to rounding.

a Funding estimates were compiled as follows:

- The estimates are compiled for 2000-01 and 2001-02, using the 2001-02 and 2002-03 *Program Statements* (Government of Western Australia 2001 and 2002) and information provided by Western Australian Department of Treasury.
- The figures are indicative only and are likely to be revised by the Western Australian Government.
- The estimates represent the budget appropriations (or net cost) for the output (or program) costs as shown in the 2001-02 *Program Statements* (Government of Western Australia 2001. This excludes user charges, industry contributions and Commonwealth grants.
- The assistance sub-total for each agency is computed as the sum of individual output funding (in italics). Where information is available, funding figures for individual programs, sub-programs or grants and subsidies are also shown, but are not included in the calculation of the sub-total.

b Program objectives are classified according to whether the main aim of the program is to promote:

- general industry development;
- regional industry development;
- other objectives — such as cultural objectives for funding of the arts; or
- not classified — programs which are difficult to allocate into one of the above categories.

- c** To give some indication of the incidence of assistance based on the information available, the Commission has classified the programs according to the broad sectors which they primarily benefit. These sectoral classifications include:
- primary production — agriculture, forestry and fishing;
 - manufacturing;
 - mining;
 - services; and
 - unallocated — information is not available to determine the incidence of assistance.
- d** These information are drawn from Department of Industry, Science and Resources (Commonwealth) (2001) and Department of Industry, Tourism and Resources (Commonwealth) (2002).
- e** The outlays data includes some minor tax concessions that are included, but not separately costed, in state budget papers as part of the overall expenditure for an agency or investment incentive program.

Sources:

- Department of Industry, Science and Resources (Commonwealth) 2001, *Commonwealth and State Government Programs Supporting Innovation in Firms At January 2001*, February.
- Department of Industry, Tourism and Resources (Commonwealth) 2002, *AusIndustry — Business Entry Point Database*, <http://www.ausindustry.gov.au>
- Government of Western Australia 2001, *2001-02 Program Statements*, Budget Paper No. 2, Vols. 1, 2 and 3, Perth.
- Government of Western Australia 2002, *2002-03 Program Statements*, Budget Paper No. 2, Vols. 1, 2 and 3, Perth.
- Industry Commission 1996, *States, Territory and Local Government Assistance to Industry*, Report No. 55, AGPS, Canberra, October.

G South Australian budgetary assistance estimates

For this year's *Trade & Assistance Review*, the Commission has developed estimates of the budgetary assistance to industry provided by the States and Territories for the years 2000-01 and 2001-02. The Commission's definitions, classifications and the methodology employed in compiling the estimates are set out in appendix B.

In this appendix, the Commission presents summary data on the budgetary assistance estimates for South Australia, together with detailed tables on the budgetary outlay programs contained in the estimates. The estimates should be interpreted in conjunction with the information and explanations in appendix B.

G.1 Summary data

The estimates indicate that the South Australian Government outlaid \$320 million in 2000-01, and \$374 million in 2001-02, on programs that provide assistance to industry (table G.1). Some relatively minor tax concessions are included in these figures.

Of the \$374 million expended in 2001-02, at least \$238 million was directed to programs classified as having a general industry development objective (table G.1). The actual figure may be larger as some of the programs in the 'other and not classified' category may also have a general industry development objective (see appendix B).

A further \$9 million was directed to programs classified as having a regional industry development objective. Again, this estimate should be considered to be a lower bound. This is mainly because of the way the regional industry development category has been defined, in conjunction with the way the Commission has classified various programs. These have resulted in some significant assistance programs that support regional industries, in particular primary production, being excluded from the category (see appendix B). Were spending on primary production and mining by the South Australian Government to be included in this category, the

total expenditure on regional industry development assistance would have amounted to some \$88 million in 2001-02.

Table G.1 **South Australian Government budgetary assistance program outlays, by sectors and objectives, 2000-01 and 2001-02**

\$ million

	2000-01	2001-02
Principal objective		
Industry development	144	238
Regional industry development	7	9
Other or not classified	169	127
Sector		
<i>Primary production</i>	40	79
– General industry development	40	79
– Regional industry development	..	..
– Other or not classified	..	..
<i>Mining</i>		
– General industry development	..	..
– Regional industry development	..	..
– Other or not classified	..	..
<i>Services</i>	207	169
– General industry development	38	42
– Regional industry development	..	..
– Other or not classified	169	127
<i>Manufacturing^a</i>	1	20
– General industry development	1	20
– Regional industry development	..	..
– Other or not classified	..	..
<i>Unallocated^a</i>	73	106
– General industry development	65	97
– Regional industry development	7	9
– Other or not classified	..	..
Total	320	374

.. Nil. Figures may not add up to total due to rounding. ^a The unallocated category contains programs for which the Commission could not obtain sufficient information on program beneficiaries to allocate the program to a particular sector. As noted in appendix B, the Commission considers that outlay programs in the unallocated category appear likely to predominantly assist the manufacturing sector.

Source: Commission estimates.

The estimates also include \$127 million of programs for which the principal objective of the program has not been classified, or which have ‘other’ objectives,

such as environmental, cultural or equity goals, but provide incidental assistance to industry.

A further breakdown of the estimates, by both objective and sectoral incidence, is provided in table G.1.

In terms of the sectoral distribution, \$169 million was spent on programs that provide assistance to the services sector, although most of this — spending on the arts and professional sports — has not been classified as having industry development as the principal objective. The table shows that \$20 million has been recorded as assisting the manufacturing sector. As discussed in appendix B, the Commission considers that many of the programs in the unallocated category also appear likely to predominantly assist manufacturing.

The Commission has estimated that the South Australian Government provided total payroll tax concessions in the order of \$0.4 billion to non-social welfare related businesses in 2000-01. The Commission notes that some level of general concessions, based on payroll tax thresholds can be justified on tax-efficiency grounds, and that not all of the concessions can be counted as industry assistance (appendix B).

G.2 Detailed data

Table G.2 describes different aspects of the South Australian government programs included in the Commission's estimates. For each output, program or sub-program, the table provides information (where available) on:

- the government agency responsible for the program;
- the program's scope, mode of funding and other program details;
- the program's main objective as classified by the Commission;
- the sectoral incidence of assistance as determined by the Commission; and
- funding estimates.

Table G.2 South Australia Government budgetary assistance program outlays, 2000-01 and 2001-02

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
DEPARTMENT OF INDUSTRY AND TRADE					
<i>Infrastructure facilitation</i>	Various programs to fund major infrastructure projects for industry development, including the Adelaide-Darwin rail link, regional infrastructure projects and firm-specific projects.	Industry development	Unallocated	74.83	33.73
<i>Investment facilitation</i>	Attraction and facilitation of investment from interstate and overseas to South Australia.	Industry development	Unallocated	36.83	63.37
<i>Enterprise development</i>	Provision of advice, information and training to small businesses on business management and uptake of R&D. Assistance is also provided for product development.	Industry development	Unallocated	30.64	33.78
<i>Industry support</i>	Assistance to develop industry networks, clusters, incubators and informal networking events and industry associations.	Industry development	Unallocated	6.14	11.65
<i>Trade development</i>	Provision of advice and information on market opportunities, including export market access and support of local industry to secure procurement contracts.	Industry development	Unallocated	3.72	5.57
<i>Market South Australia</i>	Marketing services to promote South Australia to attract investment and business migrants to support industry development.	Industry development	Unallocated	3.67	4.82
Sub-total for Department of Industry and Trade				76.42	126.59
(The sub-total has been adjusted to exclude funding for the construction and operation of the Adelaide-Alice Spring rail link)					

Table G.2 South Australia (continued)

<i>Agency Output Program</i>	<i>Description</i>	<i>Objectives^b</i>	<i>Sector^c</i>	<i>Funding (\$ million)^a</i>	
				<i>2000-01</i>	<i>2001-02</i>
Under the above assistance activities, financial assistance to industry consists of: ^d					
— Automotive Program	Loans.	Industry development	Manufacturing	0.50	19.50
— Enterprise Development	Loans and grants.	Industry development	Unallocated	9.38	10.51
— Industry Development	Loans and grants.	Industry development	Unallocated	29.34	39.43
— Payroll Tax Reimbursement	Loans and grants.	Industry development	Unallocated	5.21	5.57
— Rail Reform Transition Program	Grants.	Industry development	Services	2.07	2.92
— Regional Development	Grants.	Regional industry development	Unallocated	3.82	5.13
— Regional Industry Development	Loans and grants.	Regional industry development	Unallocated	0.67	1.82

Table G.2 South Australia (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
— Regional Infrastructure	Loans and grants.	Regional industry development	Unallocated	2.66	1.61
— Tourism Infrastructure	Grants.	Industry development	Services	3.35	1.40
— Other grants	Grants.	Industry development	Unallocated	1.90	1.45
<i>Sub-total for financial assistance schemes</i>				58.89	89.34
<p>Under the <i>Industries Development Act 1941</i>, the Minister may refer any matter to the Industries Development Committee for review and recommendation. The financial assistance recommended by the Industries Development Committee during 2000-01 was:</p>					
— Investment incentives	16 projects were provided incentives in 2000-01.	Industry development	Unallocated	58.31	60.39
— Industrial and Commercial Premises Corporation	Funding to administer the <i>Industrial Premises Development Scheme</i> . The scheme provides various finance and tenure arrangements for development of new factory and commercial properties, as part of the Government program of assisting industry and securing their presence in South Australia. The majority of the Corporation's land and building assets receive guarantees from the Minister of Industry and Trade to make up for shortfalls between proceeds from sale and the actual cost of construction of the assets.	Industry development	Unallocated	20.77	51.54

Table G.2 South Australia (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
Financial assistance commitments	In addition to the financial assistance reported above, these commitments are future payments to companies and other bodies upon fulfilling certain performance criteria: <ul style="list-style-type: none"> • Not later than one year: 53.60 • Later than one year but not later than three years: 58.60 • Later than three years but not later than eight years: 22.30 Sub-total 178.40 130.50	Industry development Unallocated		71.50	53.60
SA TOURISM COMMISSION					
<i>Tourism Development</i>	Provision of advice and assistance to people wishing to enter the tourism industry. Assistance is also provided for tourism product development.	Industry development	Services	4.56	..
<i>Tourism Infrastructure Development</i>	Financial assistance to projects to support the development of tourism in South Australia through programs such as the Tourism Infrastructure Fund and the Tourism Road Grant Program.	Industry development	Services	8.14	7.91
<i>Tourism marketing</i>	Marketing services and development of marketing campaigns aimed at increasing visitors to South Australia.	Industry development	Services	22.05	32.90
<i>Event development</i>	Bidding and management of major events held in South Australia.	Other or not classified	Services	17.84	15.58
	Under these assistance activities, the financial assistance schemes include: <ul style="list-style-type: none"> • Sponsorship of events 2.02 			2.02	4.03

Table G.2 South Australia (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
	<ul style="list-style-type: none"> • Tourism Infrastructure grants • Tourism marketing boards/information centre grants • Marketing support • Road signage program • Membership of tourism industry bodies • Trade show subsidies 			9.18	8.41
				2.20	2.01
				1.24	0.76
				0.68	0.77
				0.15	0.05
				0.08	0.07
				52.59	56.39
Sub-total for SA Tourism Commission					
MINISTER FOR TOURISM					
Adelaide Convention Centre	Grant funding for the costs of upgrading and maintenance of the centre. The functions of the centre include commercial development of the site and the management, promotion and sponsorship of events.	Other or not classified	Services	66.06	15.59
Adelaide Entertainment Centre	The functions of the centre include commercial development of the site and management, promotion and sponsorship of events. The capital asset provided by the Government was \$55.54 million in 2000-01	Other or not classified	Services	na	0.54
South Australian Motor Sport Board	Funding for the staging of the 'Race of 1000 Years' and other motor sport events.	Other or not classified	Services	7.95	1.50
				74.00	17.63
Sub-total for Minister for Tourism					

Table G.2 South Australia (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
DEPARTMENT OF PRIMARIES INDUSTRIES AND RESOURCES					
<i>Data and information products and services</i>	Information services (publications, electronic information and products), training and consulting services on primary industries and resources.	Industry development	Primary production and mining	8.51	15.97
<i>Research and scientific services</i>	Research and development services to generate new technologies, methodologies and practices, and diagnostic and geoscientific services, eg cereal breeding, geological survey, tests and analyses.	Industry development	Primary production and mining	25.23	55.67
<i>Trade and market services</i>	Various services, including investment facilitation and promotion trade missions/delegations, to improve access for industries to interstate and international markets.	Industry development	Primary production and mining	2.27	3.00
<i>Training and education services</i>	Delivery of training and education services to rural communities and groups, including property management planning workshops, rural leadership projects, Top Crop workshops, and FarmBis services.	Industry development	Primary production	3.58	4.48
Sub-total for Department of Primaries Industries and Resources				39.59	79.12
ARTS SA					
<i>Access to and preservation of State collections</i>	Funding of art organisations including the Art Gallery of SA, SA Museum and ArtLab and event attraction organisations, such as Carrick Hill.	Other or not classified	Services	21.22	22.34

Table G.2 South Australia (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
<i>Arts industry development</i>	Services to create opportunities for artists, cultural tourism, festivals and events, and grants to production and exhibitions of arts.	Other or not classified	Services	36.15	36.98
<i>Cultural facilities</i>	Financial support to the Adelaide Festival Centre Trust in support of cultural services for the community.	Other or not classified	Services	5.76	15.53
Sub-total for Arts SA				63.14	74.85
DEPARTMENT OF ADMINISTRATIVE AND INFORMATION SERVICES					
<i>Recreation and sport participation</i>	Provision of information, education and support services to groups and community groups to increase community participation in sport activities. Working with industry to create industry development opportunities for sport in South Australia.	Other or not classified	Services	10.38	14.42
<i>Athlete and coach development</i>	Sport science services, information and training to develop high performance athletes and coaches.	Other or not classified	Services	3.48	4.58
Sub-total for Department of Administrative and Information Services				13.86	19.00
DEPARTMENT OF TREASURY AND FINANCE					
<i>Exporters Payroll Tax Rebate Schemes^d</i>	Exporters and companies with export prospects can claim a rebate of 20 per cent on the payroll tax payable on wages of employees engaged in generating export earnings.	Other or not classified	Unallocated	na	na

Table G.2 South Australia (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
<i>Young Persons Employment Incentive Scheme^d</i>	A rebate on payroll tax is available to employers on wages payable in the first 12 months of employment where the new employee is under the age of 21 years. The rebate applies to the first 6 months where the new employee is between 21 and 25 years of age. The maximum rebate cannot exceed the total payroll tax amount in the rebate period.	Other or not classified	Unallocated	na	na
<i>Training Wages Payroll Tax Rebate Scheme^d</i>	Payroll tax rebate for businesses with employees engaged under accredited apprenticeship.	Other or not classified	Unallocated	na	na
Sub-total for Department of Treasury and Finance				na	na
TOTAL BUDGETARY OUTLAY ASSISTANCE^e				319.59	373.58

.. Nil; na not available. Figures for individual programs may not add up to total due to rounding.

a Funding estimates were derived as follows.

- The estimates are compiled for 2000-01 and 2001-02 only, using the *Portfolio Statements 2001-02* and *2002-03* (Government of South Australia 2001) and South Australian Auditor-General reports (2001a, 2001b and 2002) as the principal information source. This is to facilitate comparison across States and Territories on the same reporting period and to overcome difficulties in reconciliation of funding figures due to changes in departmental structures and programs between years.
- The figures are indicative only and are likely to be revised by the South Australian Government.
- The estimates represent the 'net expenses' of the output (or program) costs as shown in the *Portfolio Statements 2001-02* (Government of South Australia 2001). This excludes user charges, industry contributions and Commonwealth grants.
- The assistance sub-total for each agency is computed as the sum of individual output funding (in italics). Where information is available, funding figures for individual programs, sub-programs or grants and subsidies are also shown, but are not included in the calculation of the sub-total.

b Program objectives are classified according to whether the main aim of the program is to promote:

- general industry development;

- regional industry development;
 - other objectives — such as cultural objectives for funding of the arts; or
 - not classified — programs which are difficult to allocate into one of the above categories.
- c** To give some indication of the incidence of assistance based on the information available, the Commission has classified the programs according to the broad sectors to which they primarily benefit. These sectoral classifications include:
- primary production — agriculture, forestry and fishing;
 - manufacturing;
 - mining;
 - services; and
 - unallocated — information is not available to determine the incidence of assistance.
- d** Information published in South Australian Auditor-General (2001a) and (2001b), and Parliament of South Australia Economic and Finance Committee (2000).
- e** The outlay data includes some minor tax concessions that are included, but not separately costed, in state and territory budget papers as part of the overall expenditure for an agency or investment incentive program.

Sources:

- Government of South Australia 2001, *Portfolio Statements 2001-02*, Budget Paper No. 5, Vols. 1 and 2, Adelaide.
- Government of South Australia 2002, *Portfolio Statements 2002-03*, Budget Paper No. 4, Vols. 1 and 2, Adelaide.
- Industry Commission 1996, *States, Territory and Local Government Assistance to Industry*, Report No. 55, AGPS, Canberra, October.
- Parliament of South Australia Economic and Finance Committee 2000, *South Australian Government Assistance to Industry*, Thirty First Report of the Economic and Finance Committee, July.
- South Australian Auditor-General 2001a, *Report of the Auditor-General for the Year ended 30 June 2001*, Part A and B, Government Printer, October.
- South Australian Auditor-General 2001b, *Report of the Auditor-General for the Year ended 30 June 2001*, Supplementary Report, Agency Audit Reports, November.
- South Australian Auditor-General 2002, *Report of the Auditor-General for the Year ended 30 June 2002*, Part A and B, Government Printer, October.

H Tasmanian budgetary assistance estimates

For this year's *Trade & Assistance Review*, the Commission has developed estimates of the budgetary assistance to industry provided by the States and Territories for the years 2000-01 and 2001-02. The Commission's definitions, classifications and the methodology employed in compiling the estimates are set out in appendix B.

In this appendix, the Commission presents summary data on the budgetary assistance estimates for Tasmania, together with detailed tables on the budgetary outlay programs contained in the estimates. The estimates should be interpreted in conjunction with the information and explanations in appendix B.

H.1 Summary data

The estimates indicate that the Tasmanian Government outlaid \$116 million in 2000-01, and \$121 million in 2001-02, on programs that provide assistance to industry (table H.1). Some relatively minor tax concessions are included in these figures.

Of the \$121 million expended in 2001-02, at least \$104 million was directed to programs classified as having a general industry development objective (table H.1). The actual figure may be larger as some of the programs in the 'other and not classified' category may also have a general industry development objective (see appendix B).

There were no funding recorded as having a regional industry development objective. However, the way the regional industry development category has been defined, in conjunction with the way the Commission has classified various programs, means that some significant assistance programs that support regional industries, in particular primary production, have been excluded from this category (see appendix B). Were spending on primary production and mining by the Tasmanian Government to be included in this category, the total expenditure on regional industry development assistance would have amounted to some \$32 million in 2001-02.

Table H.1 Tasmanian Government budgetary assistance program outlays, by sectors and objectives, 2000-01 and 2001-02

\$ million

	2000-01	2001-02
Principal objective		
Industry development	101	104
Regional industry development	..	..
Other or not classified	15	17
Sector		
<i>Primary production</i>	32	32
– General industry development	32	31
– Regional industry development	..	..
– Other or not classified	0.4	0.4
<i>Mining</i>		
– General industry development	..	..
– Regional industry development	..	..
– Other or not classified	..	..
<i>Services</i>	37	39
– General industry development	24	24
– Regional industry development	..	..
– Other or not classified	13	15
<i>Manufacturing^a</i>	..	..
– General industry development	..	..
– Regional industry development	..	..
– Other or not classified	..	..
<i>Unallocated^a</i>	47	50
– General industry development	45	48
– Regional industry development	..	..
– Other or not classified	2	2
Total	116	121

.. Nil. Figures may not add up to total due to rounding. ^a The unallocated category contains programs for which the Commission could not obtain sufficient information on program beneficiaries to allocate the program to a particular sector. As noted in appendix B, the Commission considers that outlay programs in the unallocated category appear likely to predominantly assist the manufacturing sector.

Source: Commission estimates.

The estimates also include \$17 million of programs for which the principal objective of the program has not been classified, or which have ‘other’ objectives, such as environmental, cultural or equity goals, but provide incidental assistance to industry.

A further breakdown of the estimates, by both objective and sectoral incidence, is provided in table H.1.

In terms of the sectoral distribution, \$39 million was spent on programs that provide assistance to the services sector. Another \$32 million was allocated to programs that assist primary production. The table shows that no assistance programs have been recorded as assisting the manufacturing sector. However, as discussed in appendix B, the Commission considers that many of the programs in the unallocated category appear likely to predominantly assist manufacturing.

The Commission has estimated that the Tasmanian Government provided total payroll tax concessions in the order of \$81 million to non-social welfare related businesses in 2000-01. The Commission notes that some level of general concessions, based on payroll tax thresholds can be justified on tax-efficiency grounds, and that not all of the concessions can be counted as industry assistance (appendix B).

H.2 Detailed data

Table H.2 describes different aspects of the Tasmanian government programs included in the Commission's estimates. For each output, program or sub-program, the table provides information (where available) on:

- the government agency responsible for the program;
- the program's scope, mode of funding and other program details;
- the program's main objective as classified by the Commission;
- the sectoral incidence of assistance as determined by the Commission; and
- funding estimates.

Table H.2 Tasmanian Government budgetary assistance program outlays, 2000-01 and 2001-02

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
DEPARTMENT OF STATE DEVELOPMENT					
<i>Investment, Trade and Development</i>					
— Marketing and Export Support	Provision of training, management support, and market research and intelligence to targeted businesses and trade missions aimed at developing new domestic and overseas markets and investment opportunities.	Industry development	Unallocated	1.23	1.42
— Major Events	Financial assistance and maintenance of existing major events. Attraction of special events to Tasmania.	Other or not classified	Services	0.62	0.72
— Industrial Supplies Office	Targeted procurement services and maintenance of database to assist businesses sourcing their requirements from local producers that can provide goods, equipment and services competitively against imports.	Industry development	Unallocated	0.78	0.81
— Investment Attraction and Project Development	Facilitation services and specialist financial services to attract, promote and facilitate investment in Tasmania.	Industry development	Unallocated	4.96	5.81
— Property and Loan Portfolio Administration	Administration of industry development loan and property portfolios, and facilitation of private property development, particularly the development of call centres.	Industry development	Unallocated	0.04	0.04
<i>State Industries</i>					
— Enterprise Improvement Services	Extension services targeting small and medium-sized enterprises.	Industry development	Unallocated	1.41	1.46

Table H.2 **Tasmania** (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
— Small Business Services	Extension services targeting existing and new small businesses.	Industry development	Unallocated	1.31	1.37
— Enterprise Centres and Employment Initiatives	Support for community-based Enterprise Centres delivering business management skills. Funding also provides for administration of Enterprise Centres and Tasmanian Traineeship and Apprenticeship Scheme employment programs.	Other or not classified	Unallocated	0.31	0.32
— Antarctic Industry Support	Promotion of Tasmania's international profile as a centre for Antarctic and Sub-Antarctic activity and attraction of expenditure in Tasmania by Antarctic related enterprises.	Industry development	Services	0.55	0.62
— Innovation and Technology Support Services	Delivery of the Intelligent Island Program and the Tasmanian Innovations Program to assist the Tasmanian IT Industry.	Industry development	Services	0.67	0.70
— Industry Council Support	Provision of secretarial, administrative and other support services to assist operation of Industry Councils.	Industry development	Unallocated	0.44	0.46
— Film, Television and Multimedia Support	Funding of Screen Tasmania to develop and assist the film, television and multimedia industries.	Other or not classified	Services	0.25	0.26
<i>Centre for Research, Industry and Strategic Planning</i>					
— Industry Planning and Policy	Development of industry development plans and provision of support to Industry Councils with information and advice, including uptake of Commonwealth assistance.	Industry development	Unallocated	0.80	0.86

Table H.2 **Tasmania** (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
— Industry Research Services	Research and training services for the development of industry plans and delivery of assistance programs.	Industry development	Unallocated	1.01	1.05
<i>Tourism Marketing and Development</i>					
— Tourism Marketing	Interstate and international marketing activities to attract tourists to Tasmania.	Industry development	Services	14.01	14.13
— Tourism Development	Provision of consultancy services, facilitation services, infrastructure development, industry training and advice to develop tourism industry.	Industry development	Services	3.39	3.46
— Tourism Retail Travel Services	Development of consumer sales and information on Tasmanian travel products.	Industry development	Services	2.21	2.28
— Tourism Wholesale Travel Services	Electronic distribution services and marketing of Tasmanian travel operators interstate.	Industry development	Services	1.11	1.16
<i>Culture, Heritage and Recreation Industry Development</i>					
— Tasmanian Museum and Art Gallery	Funding of the Museum's arts collections and marketing of the collections to the Tasmanian community and visitors as a premier visitor destination.	Other or not classified	Services	3.37	3.98
— Arts Industry Development	Provision of financial assistance and industry development services to the arts through Arts Tasmania.	Other or not classified	Services	0.58	0.61

Table H.2 **Tasmania** (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
<i>Subsidy payments administered by the Department</i>					
— Industry Development Grants and Subsidies	Grants, subsidies and development support projects primarily to assist business development.	Industry development	Unallocated	20.96	22.65
— Interest subsidy	Non-discretionary funding for interest costs arising from the Department's industry development capital portfolio.	Industry development	Unallocated	8.05	7.65
— Client Advances	Loan advances and equity investments for industry development purposes.	Industry development	Unallocated	..	..
— Debt Repayment	Borrowings undertaken to finance industry development lending activities are progressively repaid as client capital repayments are received.	Industry development	Unallocated	..	..
— Employment Assistance Grants	These payments are primarily comprised of grants to small businesses and are aimed at encouraging the employment of new apprentices.	Other or not classified	Unallocated	0.79	0.79
— Local Employment Initiatives	Through a network of enterprise centres, the program seeks to encourage local communities to undertake activities with the aim of creating long-term employment in Tasmania.	Other or not classified	Unallocated	0.60	0.60
— Major Events Grants and Assistance	Funding is provided to assist with the promotion and conduct of major events to further develop tourism related industries within the State.	Other or not classified	Services	0.75	0.96

Table H.2 **Tasmania** (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
— Meet in Tasmania Incentive	Grant to the Tasmanian Convention Bureau to attract conferences, conventions and meetings to Tasmania during the winter season.	Industry development	Services	0.20	0.20
— Tasmanian Convention Bureau	Funding to support the marketing capability of the Tasmanian Convention Bureau to encourage conventions during winter.	Industry development	Services	0.48	0.48
— Regional Gateway Marketing Groups	Grants to the three Regional Gateway Marketing Groups to assist in the intrastate marketing of Tasmania.	Industry development	Services	0.33	0.33
— Retail and Wholesale Direct Cost of Sales	Payments are provided to suppliers of travel services for bookings made through mainland travel centres, the Customer Service Centre and Tasmania's Temptations Holidays.	Industry development	Services	..	..
— Tasmanian Travel Centres	Payments for the Hobart, Launceston, Devonport and Burnie travel centres for providing information to visitors.	Industry development	Services	0.38	0.38
— Tasmanian Visitor Information Network	Grants for administration of the Tasmanian Visitor Information Network (visitor centres), promotion, training, inspection and general administration.	Industry development	Services	0.15	0.15
— Tourism Development Grants	Grants for the development of tourism infrastructure, products and regional planning.	Industry development	Services	0.05	0.05

Table H.2 **Tasmania** (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
— Tasmanian Icon Program	Funding of the State's icons to promote the State both nationally and internationally, including the Tasmanian Symphony Orchestra, the State cricket team, the Tassie Tigers, and the Menzies Centre for Population Health Research.	Other or not classified	Services	1.00	1.50
— Tasmanian International Velodrome	Grant for the operating deficit of the Tasmanian International Velodrome.	Other or not classified	Services	0.19	0.19
— Sports Scholarships	Funding of scholarships for individual athletes and team squads. Individuals may use their scholarships to meet performance related costs, including travel to competitions, equipment purchases, venue for training purposes, sports science, sports medicine and nutrition costs. Team scholarships may also be used for bringing elite and national coaches to Tasmania.	Other or not classified	Services	0.29	0.29
— Tasmanian Film Corporation	Payment of the loan instalments for the Tasmanian Film Corporation.	Other or not classified	Services	0.01	..
— Sundry Arts Grants and Loans	Grants to major arts organisations and individual artists to develop arts infrastructure on a statewide basis.	Other or not classified	Services	2.11	2.11
— Government Contribution to Tasmanian Symphony Orchestra	Government payment to the maintenance of the Tasmanian Symphony Orchestra.	Other or not classified	Services	0.15	0.15
— Museum and Art Gallery Grants	Grants for operational expenses of regional museums and art galleries, for miscellaneous museum costs and for funding to two art foundations.	Other or not classified	Services	1.17	1.17

Table H.2 Tasmania (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
— Theatre Royal Grant	Funding is provided to cover the insurance of the Theatre Royal.	Other or not classified	Services	0.06	0.06
Sub-total for Department of State Development					
DEPARTMENT OF PRIMARY INDUSTRIES, WATER AND ENVIRONMENT					
<i>Food, Agriculture and Fisheries</i>					
— Agriculture Industry Development Services	Provision of services, such as farm business skills, to assist the development of Tasmania's agriculture industries.	Industry development	Primary production	7.13	6.90
— Food Quality and Quarantine Services	Provision of quarantine services to protect rural industries against exotic pests and diseases. Assistance is also provided to rural industries to improve overseas market access.	Industry development	Primary production	5.45	5.50
— Marine Farming and Wild Fisheries Management	Funding of the Fisheries Research and Development Corporation and development services relating to fisheries.	Industry development	Primary production	4.99	4.39
— Diagnostic Services	Diagnostic investigations and laboratory services to protect plant and animal health.	Industry development	Primary production	3.27	3.59
<i>Other schemes administered by the Department</i>					
— Construction of Irrigation Schemes: Loan Charges Contribution	Capital contribution to the Rivers and Water Supply Commission to meet loan charges on borrowings for the construction of irrigation schemes, provided as infrastructure assistance to food, agriculture and fisheries.	Industry development	Primary production	2.76	2.76

Table H.2 **Tasmania** (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
— Tasmanian Aquaculture and Fisheries Institute	Annual grant for fisheries research.	Industry development	Primary production	2.43	2.43
— Tasmanian Institute of Agricultural Research	Annual grant for agricultural research.	Industry development	Primary production	1.82	1.82
— Rural Support Tasmania	Rural Support Tasmania receives funding to provide rural counselling services for farmers and rural families experiencing difficulties because of drought and downturns in prices received for produce.	Other or not classified	Primary production	0.03	0.03
— Coal Mines Historic Site	This project provides for the conservation of the Coal Mines Historic Site and the construction of visitor infrastructure to transform the site into an important tourism location while retaining its heritage values.	Other or not classified	Services	0.21	0.35
Sub-total for Department of Primary Industries, Water and Environment				28.08	27.76
DEPARTMENT OF TREASURY AND FINANCE – FINANCE-GENERAL DIVISION					
— Payroll Tax Assistance	Estimates of payroll tax concessions to specific businesses in Tasmania. These are identified as financial grants in the Budget.	Industry development	Unallocated	4.37	4.84
— Exemption of Stamp Duty on the Conveyance of Real Property used for Primary Production to a Relative	This exemption applies to the conveyance of real property, used mainly as a primary production business, from a person to a relative, including trustees of a trust of which all the beneficiaries are relatives of the person.	Other or not classified	Primary production	0.35	0.37

Table H.2 **Tasmania** (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
— Land Tax Primary Production Concession	Land that is used for primary production with a reasonable expectation of profit does not attract land tax. Examples of primary production include agriculture, aquaculture, fishing, horse breeding, forestry plantations or dairy farming. Land tax concessions are assessed on the basis of applications forwarded by individual landowners.	Industry development	Primary production	2.99	3.07
Sub-total for Department of Treasury and Finance – Finance-General Division				7.70	8.27
DEPARTMENT OF INFRASTRUCTURE, ENERGY AND RESOURCES					
— Support for the Racing Industry	Development of vocational training for racing industry personnel. Streamlining of procedures for licensing and registration of raceclubs and racecourses. Maintenance of integrity control in racing industry.	Other or not classified	Services	1.39	1.42
— Tasmanian Racing Assistance	Payment directed towards the stakes for thoroughbred, harness and greyhound racing.	Other or not classified	Services	1.06	1.06
— Totalizator Agency Board: Interdominion Grant	Funding of eight annual grants of \$25 000 to the racing industry to support the return of the Interdominion Pacing Championship to Tasmania in 2006.	Other or not classified	Services	0.03	0.03
— Private Forests Tasmania	Government contribution to Private Forests Tasmania (PFT). PFT's objective is to facilitate and expand the development of the private forest resource in Tasmania in a manner that is consistent with sound forest land management practice.	Industry development	Primary production	0.99	0.99
Sub-total for Department of Infrastructure, Energy and Resources				3.46	3.50

Table H.2 **Tasmania** (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
TOTAL BUDGETARY OUTLAY ASSISTANCE^d				115.99	120.77

.. Nil; na not available. Figures for individual programs may not add up to total due to rounding.

a Funding estimates were derived as follows.

- The estimates are compiled for 2000-01 and 2001-02 only, using the *Operations of Government Departments 2000-01 and 2001-02* (Parliament of Tasmania 2000 and 2001) and information provided by Tasmanian Department of Treasury. This is to facilitate comparison across States and Territories on the same reporting period.
- The figures are indicative only and are likely to be revised.

- The estimates for 2000-01 and 2001-02 represent the 'consolidated fund' appropriations for program costs as identified in the *Operations of Government Departments 2000-01 and 2001-02* (Parliament of Tasmania 2000 and 2001). This excludes user charges, industry contributions and Commonwealth grants.

b Program objectives are classified according to whether the main aim of the program is to promote:

- general industry development;
- regional industry development;
- other objectives — such as cultural objectives for funding of the arts; or
- not classified — programs which are difficult to allocate into one of the above categories.

c To give some indication of the incidence of assistance based on the information available, the Commission has classified the programs according to the broad sectors to which they primarily benefit. These sectoral classifications include:

- primary production — agriculture, forestry and fishing;
- manufacturing;
- mining;
- services; and
- unallocated — information is not available to determine the incidence of assistance.

d The outlay data includes some minor tax concessions that are included, but not separately costed, in state budget papers as part of the overall expenditure for an agency or investment incentive program.

Sources:

- Industry Commission 1996, *States, Territory and Local Government Assistance to Industry*, Report No. 55, AGPS, Canberra, October.
- Parliament of Tasmania 2001, *Operations of Government Departments 2001-02*, Budget Paper No. 2, Vols. 1 and 2, Government Printer, Tasmania.
- Parliament of Tasmania 2000, *Operations of Government Departments 2000-01*, Budget Paper No. 2, Vols. 1 and 2, Government Printer, Tasmania.

I Australian Capital Territory budgetary assistance estimates

For this year's *Trade & Assistance Review*, the Commission has developed estimates of the budgetary assistance to industry provided by the States and Territories for the years 2000-01 and 2001-02. The Commission's definitions, classifications and the methodology employed in compiling the estimates are set out in appendix B.

In this appendix, the Commission presents summary data on the budgetary assistance estimates for Australian Capital Territory (ACT), together with detailed tables on the budgetary outlay programs contained in the estimates. The estimates should be interpreted in conjunction with the information and explanations in appendix B.

I.1 Summary data

The estimates indicate that the ACT Government outlaid around \$38 million in 2000-01, and around \$53 million in 2001-02, on programs that provide assistance to industry (table I.1). Some relatively minor tax concessions are included in these figures.

Of the \$53 million expended in 2001-02, at least \$13 million was directed to programs classified as having a general industry development objective (table I.1). The actual figure may be larger as some of the programs in the 'other and not classified' category may also have a general industry development objective (see appendix B).

The estimates also include \$40 million of programs for which the principal objective of the program has not been classified, or which have 'other' objectives, such as environmental, cultural or equity goals, but provide incidental assistance to industry.

A further breakdown of the estimates, by both objective and sectoral incidence, is provided in table I.1.

Table I.1 **Australian Capital Territory Government budgetary assistance program outlays, by sectors and objectives, 2000-01 and 2001-02**

\$ million

	2000-01	2001-02
Principal objective		
Industry development	9.12	13.49
Regional industry development	..	..
Other or not classified	29.09	40.02
Sector		
<i>Primary production</i>	..	..
– General industry development	..	..
– Regional industry development	..	..
– Other or not classified	..	..
<i>Mining</i>	..	..
– General industry development	..	..
– Regional industry development	..	..
– Other or not classified	..	..
<i>Services</i>	28.93	40.09
– General industry development	0.07	0.21
– Regional industry development	..	..
– Other or not classified	28.86	39.89
<i>Manufacturing^a</i>	0.07	0.02
– General industry development	0.07	0.02
– Regional industry development	..	..
– Other or not classified	..	..
<i>Unallocated^a</i>	9.21	13.40
– General industry development	8.98	13.27
– Regional industry development	..	..
– Other or not classified	0.24	0.14
Total	38.21	53.52

.. Nil. Figures may not add up to total due to rounding. ^a The unallocated category contains programs for which the Commission could not obtain sufficient information on program beneficiaries to allocate the program to a particular sector. As noted in appendix B, the Commission considers that outlay programs in the unallocated category appear likely to predominantly assist the manufacturing sector.

Source: Commission estimates.

In terms of the sectoral distribution, at least \$40 million was spent on programs that provide assistance to the services sector, although virtually all of this — spending on the arts and professional sports — has not been classified as having industry development as the principal objective. The table shows that minor funding has been recorded as assisting the manufacturing sector. However, as discussed in

appendix B, the Commission considers that many of the programs in the unallocated category appear likely to predominantly assist manufacturing.

The Commission has estimated that the ACT Government provided total payroll tax concessions in the order of \$100 million to non-social welfare related businesses in 2000-01. The Commission notes that some level of general concessions, based on payroll tax thresholds can be justified on tax-efficiency grounds, and that not all of the concessions can be counted as industry assistance (appendix B).

I.2 Detailed data

Table I.2 describes different aspects of the ACT government programs included in the Commission's estimates. For each output, program or sub-program, the table provides information (where available) on:

- the government agency responsible for the program;
- the program's scope, mode of funding and other program details;
- the program's main objective as classified by the Commission;
- the sectoral incidence of assistance as determined by the Commission; and
- funding estimates.

Table I.2 Australian Capital Territory Government budgetary assistance program outlays, 2000-01 and 2001-02

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
CHIEF MINISTER'S DEPARTMENT					
<i>Business ACT</i>	Provision of a range of business development, attraction and employment programs.	Industry development	Unallocated		
— Staffing budget	BusinessACT staffing budget (less policy salaries).			..	2.43
— General Assistance to Industry	Various programs and projects relating to women, awards, sport, export, defence, technology, environment, wine, entrepreneurship, business angels, intellectual property, sponsorships, marketing, Canberra Business Promotion Centre and Honorary Ambassadors program.	Industry development	Unallocated	1.51	0.65
— ACT Business Incentive Scheme (ACTBIS)	Assistance and attraction of major businesses and projects via cash grants, payroll tax waivers, rent foregone, land discounts and stamp duty waivers.	Industry development	Unallocated		
	<ul style="list-style-type: none"> • Cash grants • Revenue foregone: estimates of payroll tax concessions, rent foregone and land discounts provided to specific companies that are identified as financial grants in the Budget. • Contingent liabilities: the revenue forgone and grants to be paid to recipient companies upon meeting certain performance requirements, including specified employment levels. This is the assistance offered by the ACT Government, but not yet 'utilised' by the companies. Estimates of contingent liabilities are \$52.0 million in 2000-01 and \$55.5 million in 2001-02. 			0.01	0.85
				5.00	4.58

Table I.2 Australian Capital Territory (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
— Research and Development Grants Scheme	Grants to companies and public organisations undertaking R&D and commercialisation activities. Average funding per company is \$100 000.	Industry development	Unallocated	1.54	4.24
— Small Business Growth Program	Grants and loans to small businesses, consisting of: <ul style="list-style-type: none"> • <i>Business improvement</i>: a subsidy to offset the cost of engaging consultancy services on e-commerce and development services. Funding per company is a maximum of \$7 500. • <i>Strategic support</i>: grants to non-profit organisations which provide 'strategic' services to ACT business. Funding per company is a maximum of \$20 000. • <i>Small Business Loans</i>: Government guaranteed loans for individuals starting a new small business or those operating a small business with less than five years. The total guarantee of the scheme is capped at \$500 000. Funding per company is a maximum of \$20 000. 	Industry development	Unallocated	0.26	0.40
— Business Seminar Program	Provision of business information and seminars.	Industry development	Unallocated	0.04	0.03
— ACT Industry Search & Opportunities	Marketing local industry capability.	Industry development	Unallocated	0.01	..

Table I.2 Australian Capital Territory (continued)

<i>Agency Output Program</i>	<i>Description</i>	<i>Objectives^b</i>	<i>Sector^c</i>	<i>Funding (\$ million)^a</i>	
				<i>2000-01</i>	<i>2001-02</i>
— ACT Business Gateway	Funding for development of the ACT Government's internet-based entry point to business development services and programs.	Industry development	Unallocated	0.02	0.15
— Canberra Business Advisory Service	Provision of business information, referral and advisory services to small business.	Industry development	Unallocated	0.26	0.28
— New Future in Small Business	Training and mentoring support for unemployed people over 40 years of age to establish a small business.	Industry development	Unallocated	0.20	0.10
— Canberra Youth Business Incentive Scheme	Grants and mentoring services are available to unemployed people aged 18 to 28 who are eligible for support under Commonwealth New Enterprise Incentive Scheme.	Other or not classified	Unallocated	0.03	0.03
— Young Achievement Australia Business Skills Program	Skill and information provision to assist senior secondary and tertiary students to set up and run their own businesses for six months.	Other or not classified	Unallocated	0.01	0.01
— Biotechnology Industry Development	Assistance to commercialisation of biotechnology research by facilitating formation of the Australian BioSciences Consortium with links between Canberra's research institutions, legal advisers and venture capital providers. Funding also covers activities of the Australian Biotechnology Association.	Industry development	Unallocated	0.04	0.03
— ACT Photonics Industry Development Strategy	Assistance to establish the photonics industry in the ACT, in particular the establishment of the National Photonics Institute which provides training courses at the technical and postgraduate level.	Industry development	Unallocated	0.07	0.02

Table I.2 Australian Capital Territory (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
— Co-operative Research Centre for Smart Internet Technology (previously Information Technology and Telecommunication)	Contribution to establishment of the centre which conducts research and commercialisation of internet technology applications.	Industry development	Unallocated	0.07	0.21
<i>Tourism and artsACT</i>					
— Canberra Tourism and Events Corporation (CTEC)	Various programs, including: Tourism marketing campaigns and management of tourism events, including V8 Supercar Series Championship, Rally of Canberra and Floriade.	Other or not classified	Services	13.90	16.00
— Cultural Facilities Corporation	Funding for the management of the Canberra Theatre Centre and ACT museums and galleries.	Other or not classified	Services	6.20	..
— Institute of Arts	Funding to provide special rates for hire of premises, targeted fee tuition, programs of lectures and music programs.	Other or not classified	Services	0.80	..
— artsACT	Implementation of the 'Arts Capital' strategy and administration of various arts programs and cultural facilities, consisting of: <ul style="list-style-type: none"> • <i>Arts Development Strategy</i>: promotion of partnerships, collaboration and fostering links with business community to develop arts activity. • <i>Arts Funding Support</i>: this includes the ACT Arts program and Creative Arts Fellowship. The ACT Arts program provides grants to individual artists, arts organisations and community groups. 	Other or not classified	Services	3.50	..

Table I.2 Australian Capital Territory (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
	<ul style="list-style-type: none"> • <i>Arts Facilities</i>: funding of ten arts centres in the ACT. • <i>Public Arts Program</i>: provides and maintains a range of arts work for public places and buildings. 				
— Festivals ACT	Management of the Festival Development Fund at a cost of \$200 000 to assist ACT festivals to plan and promote quality events.	Other or not classified	Services	0.25	..
— ACT Academy of Sport (<i>transferred from Department of Education and Community Services from November 2001</i>)	Funding to prepare ACT athletes and teams in selected sports for national and international sporting competitions and to develop the skills of sport coaches through the ACT Academy of Sport and the ACT Coaching Centre.	Other or not classified		..	1.70
Sub-total for Chief Minister's Department				33.71	36.31
DEPARTMENT OF URBAN SERVICES					
(The following programs were transferred from the Chief Minister's Department to the Department of Urban Services from November 2001. See Chief Minister's Department for 2000-01 funding data)					
— Institute of Arts	Funding to provide special rates for hire of premises, targeted fee tuition, programs of lectures and music programs.	Other or not classified	Services	..	0.80
— artsACT	Implementation of the 'Arts Capital' strategy and administration of various arts programs and cultural facilities, consisting of:	Other or not classified	Services		

Table I.2 Australian Capital Territory (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
	<ul style="list-style-type: none"> • <i>Arts Development Strategy</i>: promotion of partnerships, collaboration and fostering links with business community to develop arts activity. 			..	1.00
	<ul style="list-style-type: none"> • <i>Arts Funding Support</i>: this includes the ACT Arts program and Creative Arts Fellowship. The ACT Arts program provides grants to individual artists, arts organisations and community groups. 			..	3.50
	<ul style="list-style-type: none"> • <i>Arts Facilities</i>: funding of ten arts centres in the ACT. 			..	0.26
	<ul style="list-style-type: none"> • <i>Public Arts Program</i>: provides and maintains a range of arts work for public places and buildings. 			..	0.40
— Festivals ACT	Management of the Festival Development Fund at a cost of \$200 000 to assist ACT festivals to plan and promote quality events.	Other or not classified	Services	..	0.25
Sub-total for Department of Urban Services				..	6.21
DEPARTMENT OF EDUCATION AND COMMUNITY SERVICES					
— ACT Academy of Sport	Funding to prepare ACT athletes and teams in selected sports for national and international sporting competitions and to develop the skills of sport coaches through the ACT Academy of Sport and the ACT Coaching Centre.	Other or not classified	Services	1.70	..
Sub-total for Department of Education and Community Services				1.70	..

Table I.2 Australian Capital Territory (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
STADIUMS AUTHORITY					
Funding	Management and promotion of the Bruce Stadium and attraction of international sport events.	Other or not classified	Services	2.80	3.60
Sub-total for Stadiums Authority				2.80	3.60
AUSTRALIAN INTERNATIONAL HOTEL SCHOOL					
Funding	Subsidy to the operating cost of the hotel school.	Other or not classified	Services	..	2.00
Sub-total for the Australian International Hotel School				..	2.00
TOTAL BUDGETARY OUTLAY ASSISTANCE^d				38.21	53.52

.. Nil; na not available. Figures for individual programs may not add up to total due to rounding.

a Funding estimates were derived as follows.

- The estimates are compiled for 2000-01 and 2001-02, using the *Budget Estimates 2001-02* (Australian Capital Territory Government 2001) and the information provided by the ACT Department of Treasury.

- The estimates excludes user charges, industry contributions and Commonwealth grants.

b Program objectives are classified according to whether the main aim of the program is to promote:

- general industry development;
- regional industry development;

- other objectives — such as cultural objectives for funding of the arts; or
 - not classified — programs which are difficult to allocate into one of the above categories.
- c** To give some indication of the incidence of assistance based on the information available, the Commission has classified the programs according to the broad sectors to which they primarily benefit. These sectoral classifications include:
- primary production — agriculture, forestry and fishing;
 - manufacturing;
 - mining;
 - services; and
 - unallocated — information is not available to determine the incidence of assistance.
- d** The outlay data includes some minor tax concessions that are costed in government budget papers as part of the overall expenditure for an agency or investment incentive program.

Sources:

- Australian Capital Territory (ACT) Government 2001, *Budget Estimates 2001-02*, Budget Paper No. 4, Publishing Services, Canberra.
- Chief Minister's Department (ACT) 2001, *Annual Report 2000-2001*, Vols 1 and 2, Publishing Services, Canberra.
- Department of Industry, Science and Resources (Commonwealth) 2001, *Commonwealth and State Government Programs Supporting Innovation in Firms At January 2001*, February.
- Department of Industry, Tourism and Resources (Commonwealth) 2002, *AusIndustry — Business Entry Point Database*, <http://www.ausindustry.gov.au>

J Northern Territory budgetary assistance estimates

For this year's *Trade & Assistance Review*, the Commission has developed estimates of the budgetary assistance to industry provided by the States and Territories for the years 2000-01 and 2001-02. The Commission's definitions, classifications and the methodology employed in compiling the estimates are set out in appendix B.

In this appendix, the Commission presents summary data on the budgetary assistance estimates for Northern Territory, together with detailed tables on the budgetary outlay programs contained in the estimates. The estimates should be interpreted in conjunction with the information and explanations in appendix B.

J.1 Summary data

The estimates indicate that the Northern Territory Government outlaid around \$132 million in 2000-01, and around \$126 million in 2001-02, on programs that provide assistance to industry (table J.1). Some relatively minor tax concessions are included in these figures.

Of the \$126 million expended in 2001-02, at least \$103 million was directed to programs classified as having a general industry development objective (table J.1). The actual figure may be larger as some of the programs in the 'other and not classified' category may also have a general industry development objective (see appendix B).

Around \$1 million was directed to programs classified as having a regional industry development objective. Again, this estimate should be considered to be a lower bound. This is mainly because of the way the regional industry development category has been defined, in conjunction with the way the Commission has classified various programs. These have resulted in some significant assistance programs that support regional industries, in particular primary production, being excluded from the category (see appendix B). Were spending on primary production and mining by the Northern Territory Government to be included in this category,

the total expenditure on regional industry development assistance would have amounted to some \$50 million in 2001-02.

Table J.1 **Northern Territory Government budgetary assistance program outlays, by sectors and objectives, 2000-01 and 2001-02**

\$ million

	2000-01	2001-02
Principal objective		
Industry development	108	103
Regional industry development	1	1
Other or not classified	23	21
Sector		
<i>Primary production</i>	43	40
– General industry development	43	40
– Regional industry development	..	..
– Other or not classified	..	..
<i>Mining</i>	9	9
– General industry development	4	4
– Regional industry development	..	..
– Other or not classified	6	5
<i>Services</i>	60	57
– General industry development	41	40
– Regional industry development	1	1
– Other or not classified	17	16
<i>Manufacturing^a</i>	..	..
– General industry development	..	..
– Regional industry development	..	..
– Other or not classified	..	..
<i>Unallocated^a</i>	21	20
– General industry development	21	20
– Regional industry development	..	..
– Other or not classified	..	..
Total	132	126

.. Nil. Figures may not add up to total due to rounding. ^a The unallocated category contains programs for which the Commission could not obtain sufficient information on program beneficiaries to allocate the program to a particular sector. As noted in appendix B, the Commission considers that outlay programs in the unallocated category appear likely to predominantly assist the manufacturing sector.

Source: Commission estimates.

The estimates also include \$21 million of programs for which the principal objective of the program has not been classified, or which have ‘other’ objectives,

such as environmental, cultural or equity goals, but provide incidental assistance to industry.

A further breakdown of the estimates, by both objective and sectoral incidence, is provided in table J.1.

In terms of the sectoral distribution, \$57 million was spent on programs that provide assistance to the services sector, while \$40 million was allocated to programs that assist primary production. The table shows that no funding has been recorded as assisting the manufacturing sector. However, as discussed in appendix B, the Commission considers that many of the programs in the unallocated category appear likely to predominantly assist manufacturing.

The Commission has estimated that the Northern Territory Government provided total payroll tax concessions in the order of \$65 million to non-social welfare related businesses in 2000-01. The Commission notes that some level of general concessions, based on payroll tax thresholds can be justified on tax-efficiency grounds, and that not all of the concessions can be counted as industry assistance (appendix B).

J.2 Detailed data

Table J.2 describes different aspects of the Northern Territory government programs included in the Commission's estimates. For each output, program or sub-program, the table provides information (where available) on:

- the government agency responsible for the program;
- the program's scope, mode of funding and other program details;
- the program's main objective as classified by the Commission;
- the sectoral incidence of assistance as determined by the Commission; and
- funding estimates.

Table J.2 Northern Territory Government budgetary assistance program outlays, 2000-01 and 2001-02

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
DEPARTMENT OF INDUSTRIES AND BUSINESS (changed to the Department of Business, Industry and Resource Development in November 2001)					
<i>Regional Development</i>	Provision of assistance via the Regional Development Fund, policy and strategic advice, development of regional masterplans and development of tourism.	Regional industry development	Services	1.0	1.1
<i>Industry Investment and Attraction</i>	Attraction and facilitation of investment.	Industry development	Unallocated	1.2	1.3
<i>Business Development</i>	Provision of advice, information and training services to businesses on management, development, technology, research and e-business.	Industry development	Services	4.2	4.2
<i>Defence and Major Projects Support</i>	Promotion of local business opportunities emerging from development of major industry projects and the defence industry via organising showcase events, seminars, information dissemination and extension services.	Industry development	Services	1.4	1.0
<i>Financial Assistance</i>	Administration and provision of grants, subsidies and loans to assist individual businesses and peak industry organisations.	Industry development	Unallocated	18.5	17.4
Sub-total for Department of Industries and Business				26.3	25.0
DEPARTMENT OF ASIAN RELATIONS AND TRADE (changed to the Department of Business, Industry and Resource Development in November 2001)					
<i>Asian Relations and Trade</i>	Facilitation of new trade and investment projects with Asian countries through provision of information, advice and support services.	Industry development	Services	5.4	5.4

Table J.2 Northern Territory (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
Sub-total for Department of Asian Relations and Trade					
DEPARTMENT OF MINES AND ENERGY (changed to the Department of Business, Industry and Resource Development in November 2001)					
<i>Resource Development</i>	Provision of information, advisory and facilitation services to industry and agencies for development of primary resources sectors.	Industry development	Mining	3.8	3.8
<i>Regulatory Services for Mine Management</i>	Regulatory services for mine management in relation to safety, resource recovery and environmental management.	Other or not classified	Mining	3.8	3.7
<i>Regulatory Services for the Petroleum Industry</i>	Regulatory services for the maintenance and grant of petroleum title, and for safety, environmental and resource management.	Other or not classified	Mining	1.7	1.4
Sub-total for Department of Mines and Energy					
DEPARTMENT OF PRIMARY INDUSTRY AND FISHERIES (changed to the Department of Business, Industry and Resource Development in November 2001)					
<i>Development of Pastoral Industry</i>	Development of export markets, research, protection of health of livestock and provision of veterinary laboratory services.	Industry development	Primary production	13.7	12.0
<i>Development of Agriculture Industry</i>	Various services to assist agriculture, including provision of information and skills, and research for crops, pasture, irrigation, land availability and land use.	Industry development	Primary production	5.1	4.6
<i>Development of Fishing Industry</i>	Various services to assist fishing industry, including business development, research and promotional activities.	Industry development	Primary production	5.7	5.3

Table J.2 Northern Territory (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
<i>Development of Horticulture Industry</i>	Services, including research to improve industry productivity, and market development support, to the vegetable, fruit and ornamental flower industries.	Industry development	Primary production	4.1	4.9
<i>Intellectual Capital and Property</i>	Services to industry on management of intellectual property rights.	Industry development	Primary production	0.0	0.0
<i>Ecologically Sustainable Development of Primary Industry</i>	Various services, including: resource protection and market access; chemical analysis of soils, plants, pesticide and water; disease control; and aquatic resource management.	Industry development	Primary production	13.1	12.2
Sub-total Department of Primary Industry and Fisheries				41.7	39.0
TRADE DEVELOPMENT ZONE AUTHORITY					
<i>Trade Development Zone</i>	To administer and encourage the development of an export-processing zone via various services, including: land sales, infrastructure development, investor services, information and support services.	Industry development	Unallocated	1.3	1.3
Sub-total for Trade Development Zone Authority				1.3	1.3
DEPARTMENT OF SPORT AND RECREATION (changed to the Department of Community Development, Sport and Cultural Affairs in November 2001)					
<i>Optimise the Opportunities and Performance of Northern Territory Athletes</i>	Provision of coaching, support programs and training to athletes through the Northern Territory Institute of Sport.	Other or not classified	Services	2.4	2.3

Table J.2 Northern Territory (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
<i>Manage Quality Competitions and Events</i>	Management of the Alice Springs Masters Games and Arafura Games, and sports awards.	Other or not classified	Services	3.1	2.6
Sub-total Department of Sport and Recreation				5.4	4.9
DEPARTMENT OF ARTS AND MUSEUMS (changed to the Department of Community Development, Sport and Cultural Affairs in November 2001)					
<i>Public Programs</i>	Funding of arts exhibitions, education programs and public events presented by museums and art galleries, and performing arts and cinema programs.	Other or not classified	Services	4.9	4.9
<i>Cultural Sector Support</i>	Financial assistance and services to the arts and museum sector; maintenance and management of physical infrastructure for major arts and museum organisations.	Other or not classified	Services	4.2	4.0
<i>Collections Management</i>	Funding of the Territory's arts and cultural collections.	Other or not classified	Services	2.0	2.0
Sub-total for Department of Arts and Museums				11.0	10.8
NORTHERN TERRITORY TOURIST COMMISSION					
<i>Market Research</i>	Market research to develop tourism products and infrastructure.	Industry development	Services	1.2	1.4
<i>Destination Image</i>	Tourism advertising and marketing campaigns.	Industry development	Services	8.2	7.6

Table J.2 Northern Territory (continued)

<i>Agency Output Program</i>	<i>Description</i>	<i>Objectives^b</i>	<i>Sector^c</i>	<i>Funding (\$ million)^a</i>	
				<i>2000-01</i>	<i>2001-02</i>
<i>Conversion</i>	Information services and ensuring availability of tourism products to consumers.	Industry development	Services	12.9	12.8
<i>Destinational Resource Capability</i>	Assistance to tourism operators to improve service levels and develop tourism products and infrastructure.	Industry development	Services	4.4	4.5
<i>Territory Discoveries</i>	Packaging of Northern Territory tourism products to private sector retailers.	Industry development	Services	0.8	0.8
<i>Cruise Ship Support</i>	Marketing of the Darwin cruise ship terminal at the Wharf Precinct.	Industry development	Services	0.2	0.2
<i>Sub-total for Northern Territory Tourist Commission</i>				27.7	27.3
DEPARTMENT OF INFRASTRUCTURE, PLANNING AND ENVIRONMENT					
<i>Marine Industry Support</i>	Funding for repairs and maintenance of the Francis Bay mooring basin, which is used primarily by fishing and associated commercial marine operations.	Industry development	Primary Production	1.1	0.8
<i>Wharf Precinct</i>	Funding for repairs and maintenance of Darwin Wharf Precinct – which includes a cruise ship terminal and recreation/entertainment area.	Industry development	Services	2.2	2.0
<i>Infrastructure Development</i>	Capital works, repairs and maintenance of the Hidden Valley Race Circuit, the venue for the V8 Supercar round in Darwin.	Other or not classified	Services	0.2	0.2
<i>Public Transport</i>	Provision of free public bus services for Darwin round of V8 Supercar Series.	Other or not classified	Services	0.1	0.1

Table J.2 Northern Territory (continued)

Agency Output Program	Description	Objectives ^b	Sector ^c	Funding (\$ million) ^a	
				2000-01	2001-02
Environment Impact Assessment	Environmental impact analysis for major development projects.	Other or not classified	Services	0.3	0.3
Sub-total for Department of Infrastructure, Planning and Environment				3.8	3.4
TOTAL BUDGETARY OUTLAY ASSISTANCE^d				131.9	126.1

.. Nil; na not available. Figures for individual programs may not add up to total due to rounding.

a Funding estimates were derived as follows.

- The estimates are compiled for 2000-01 and 2001-02 only, using *The Budget 2001-02* (Northern Territory Government 2001) and information provided by Northern Territory Department of Treasury. This is to facilitate comparison across States and Territories on the same reporting

- The funding estimates are gross outlays as identified in the *Budget 2001-02*. This is to be consistent with the approach adopted in IC (1996) in reporting State assistance to industry.

b Program objectives are classified according to whether the main aim of the program is to promote:

- general industry development;
- regional industry development;
- other objectives — such as cultural objectives for funding of the arts; or
- not classified — programs which are difficult to allocate into one of the above categories.

c To give some indications of the incidence of assistance based on the information available, the Commission has classified the programs according to the broad sectors to which they primarily benefit. These sectoral classifications include:

- primary production — agriculture, forestry and fishing;
- manufacturing;
- mining;

- services; and
- unallocated — information is not available to determine the incidence of assistance.
- d** The outlay data includes some minor tax concessions that are costed in state and territory budget papers as part of the overall expenditure for an agency or investment incentive program.

Sources:

- Industry Commission 1996, *States, Territory and Local Government Assistance to Industry*, Report No. 55, AGPS, Canberra, October.
- Northern Territory Government 2001, *The Budget 2001-02*, Budget Paper No. 2, Government Printer, Darwin.

K Anti-dumping and countervailing activity

Dumping is said to occur when a foreign supplier exports goods at a price below the ‘normal value’ of the goods in the supplier’s home market. The price of the good in the exporter’s home market is generally used to determine the normal value, but in certain prescribed circumstances, alternatives such as the good’s price in another export market or a constructed price are sometimes used.

Under WTO rules, a country can apply anti-dumping measures on dumped imports if they cause, or threaten to cause, material injury to a competing domestic industry.

Countries may also apply countervailing duties where imports — benefiting from certain forms of subsidies in the country of origin — cause, or threaten to cause, material injury to a domestic industry.

Like other measures that raise the price of imports, anti-dumping and countervailing measures assist particular industries, but can also impose higher costs on other domestic industries and consumers.

Australia’s current anti-dumping and countervailing system, which took effect in July 1998, was described in the *Trade & Assistance Review 1997-98* (PC 1998).

This appendix outlines some recent developments in anti-dumping and reviews recent anti-dumping and countervailing activity.

K.1 Selected developments in anti-dumping

Over the last year:

- several countries launched WTO dispute resolution proceedings following changes to United States anti-dumping legislation;
- in May 2002, the ACCC accepted undertakings from Monsanto and Nufarm concerning future anti-dumping activity (discussed below); and
- a national competition policy review of Australia’s anti-dumping legislation, originally scheduled to be completed before June 2002, has been delayed.

United States anti-dumping laws

In October 2000, the United States enacted the Continued Dumping and Subsidy Offset Act (the Byrd amendment). The Byrd amendment permits duties assessed (and collected) under anti-dumping and countervailing actions to be distributed to parties affected by the dumping or subsidisation.

In December 2000, nine countries (including Australia) requested consultations with the United States regarding the legislation under WTO dispute resolution procedures. The two NAFTA countries (Canada and Mexico) initiated consultations in May 2001. These consultations failed to resolve complaints about the legislation.

Following this failure, a WTO dispute settlement panel was established to examine the issue. The 11 complainant countries argued that the United States legislation was in violation of several provisions of the WTO's *Anti-dumping* and *Subsidies & Countervailing Measures* agreements. The Australian Minister for Trade noted that:

the Bryd amendment provides a double remedy against dumped or subsidised imports, and unfairly disadvantages Australian exports to the US and to third country markets that are neither dumped nor subsidised. (Vaile 2002a)

The WTO panel found that the Byrd amendment was in breach of the WTO's *anti-dumping* and *subsidies & countervailing measures* agreements. The Panel recommended that the United States bring the legislation into conformity by repealing the Byrd amendment.

In October 2002, the United States appealed against the Panel's findings. Hearings before the Appellate Body were held in October. Its report is expected to be released in January 2003 (DFAT 2002c).

ACCC undertakings from Nufarm and Monsanto

Monsanto and Nufarm are both chemical-production companies that sell glyphosate¹ within Australia. Monsanto is Australia's sole producer of glyphosate.

In May 2001, Monsanto initiated anti-dumping actions against a Chinese supplier of glyphosate. Nufarm was an interested party in the proceedings and supported Monsanto's application. The Australian Customs Service (ACS 2002) conducted the investigation and found that no dumping of glyphosate had occurred and recommended that no action be taken — a recommendation that was subsequently accepted by the Minister responsible for Customs.

¹ Glyphosate is a herbicide widely used for the control of annual and perennial weeds.

In February 2002, Monsanto and Nufarm approached the ACCC seeking clearance for an arrangement under which Monsanto would appoint Nufarm as its sole distributor of Roundup (its brand of glyphosate) for agricultural uses. Monsanto also advised the ACCC that it had not decided whether to appeal against the Minister's decision. After an investigation, the ACCC found that the anti-dumping allegation had 'already had a negative effect on import competition and that any review of the Minister's decision would be likely to cause further disruption to competition'. The ACCC (2002) was also concerned that 'any review would undermine the competitive constraint arising from actual and potential import competition'.

The ACCC gave clearance to the agreement between Monsanto and Nufarm subject to the two companies undertaking not to:

- make an application for a review of the Minister's anti-dumping decision; and
- initiate any new anti-dumping actions unless an independent adviser (approved by the ACCC) had made inquiries and found that the action had 'good prospects' of success.

K.2 Recent anti-dumping and countervailing activity

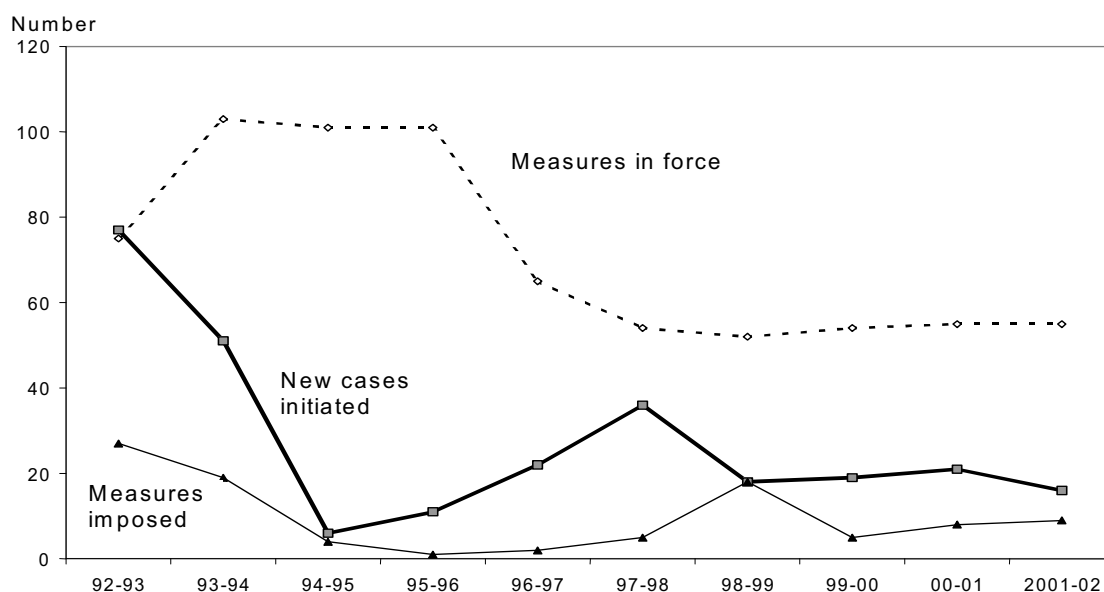
Anti-dumping and countervailing activity is shown by three statistics: *initiations*, measures *imposed* and measures *in force* (figure 2.6). A case is *initiated* when a complaint of dumping or subsidisation is first made. If after investigation the case is found to have substance, the Customs Minister may *impose* measures to remedy the situation. These measures generally last for five years (though it is possible that measures may be extended at the end of the period) and the stock of these measures at any point is reported as measures *in force*.

The number of Australian *initiations* of anti-dumping and countervailing cases has been relatively stable over the past four years, ranging from 21 in 2000-01 to 16 in 2001-02. The number of cases initiated in 2001-02 is almost three times that of 1994-95, but only around a quarter of the 1992-93 level. There were no initiations of countervailing cases in 2001-02. Table 2.1 lists the anti-dumping cases initiated in 2001-02.

There were 8 new measures *imposed* in 2001-02, the same number as in 2000-01.

The total number of measures *in force* has been relatively static over the last four years. As of 30 June 2002, there were 55 measures in force – the same number as 2001. This is around half of the roughly 100 measures that were in force between 1994 and 1997.

Figure K.1 Anti-dumping and countervailing activity^a, 192-93 to 2001-02



^a A measure or case is counted as an action applying to one commodity from one economy. If multiple economies are involved, they are counted as separate actions.

Data sources: ACS and Commission estimates.

Table K.1 New Australian anti-dumping initiations, 2001-02

Commodity	Exporting economy
Carpet gripper	China, USA
Dichlorophenoxy-acetic acid	China, UK, India
Polyvinyl chloride	Indonesia, Israel, Norway, Sweden, Taiwan
Sodium metabisulfite	China, Thailand
Structural steel sections	South Korea, South Africa, Thailand
Steel ladders	China

^a Complaints formally initiated by industry. Initiations are defined as actions applying to one commodity from one economy.

Source: ACS.

Industry incidence

The *Petroleum, coal, chemical & associated products* industry accounted for 10 of the 16 initiations in 2001-02, with *Wood & paper products* and *Metal product manufacturing* accounting for the remainder (table 2.11). In the case of the *Petroleum, coal, chemical & associated products* industry, multiple initiations by two firms accounted for eight of the 10 initiations. Three particular initiations — polyvinyl chloride, dichlorophenoxy-acetic acid and structural steel sections — accounted for 11 of the 16 initiations in 2000-01.

The pattern of initiations in 2001-02 is similar to that of previous years. The three most prevalent users of anti-dumping actions over the past six years have been the *Wood & paper products, Petroleum, coal, chemical & associated products* and *Metal product manufacturing* industries. These three industries also account for all of the 2001-02 initiations. Similarly, the *Petroleum, coal, chemical & associated products* industry, which accounts for the most (41 per cent) of the initiations over the past six years, also accounted for the majority of initiations in 2001-02.

Country incidence

During 2001-02, Australian firms initiated anti-dumping complaints against firms from 12 economies (table 2.12). Of the 16 initiated complaints, the majority (10) were against firms from Asia, while only two were against European firms.

Relative to import shares, the number of initiations against Australia's trading partners in North America and the European Union have historically been much lower than against economies in the Asian region. This trend has abated somewhat over the last couple of years as more of Australia's imports have been sourced from Asia. In 2000-01, Asia accounted for nearly one half of all imports to Australia (ABS 2002 – Publication 5422). However, the number of anti-dumping actions against Asian firms fell from 15 in 2000-01 to 10 in 2001-02.

There have been no Australian initiations against imports from New Zealand since July 1990 when the two countries agreed to eliminate anti-dumping and countervailing actions in trans-Tasman trade under changes arising from the Closer Economic Relations Agreement. Since then, competition laws under the *Australian Trade Practices Act 1974* and the *New Zealand Commerce Act 1986* have covered anti-competitive conduct in trans-Tasman trade.

Table K.2 Anti-dumping and countervailing cases^a, by industry, 1996-97 to 2001-02

<i>Industry^b</i>	1996 -97	1997 -98	1998 -99	1999 -00	2000 -01	2001 -02	<i>Six-year period</i>	
							<i>Total</i>	<i>Per cent of total^c</i>
Food, beverages and tobacco	–	–	–	–	5	–	5	4
Textiles, clothing, footwear and leather	–	1	5	–	–	–	6	5
Wood and paper products	–	14	2	5	1	2	24	18
Printing, publishing and recorded media	–	–	–	–	–	–	–	–
Petroleum, coal, chemical and associated products	11	13	10	5	5	10	54	41
Non-metallic mineral products	6	1	–	5	–	–	12	9
Metal product manufacturing	2	3	1	4	1	4	15	11
Machinery and equipment manufacturing	1	–	–	–	7	–	8	6
Other manufacturing	2	4	–	–	2	–	8	6
Total	22	36	18	19	21	16	132	100

– Nil. ^a Complaints formally initiated by industry. Cases are defined as actions applying to one commodity from one economy. Cases where dumping and subsidisation are alleged for the same economy and commodity are counted as two distinct initiations. ^b Based on Australian and New Zealand Standard Industry Classification subdivisions. ^c The sum of percentages for individual industries may not equal the total due to rounding.

Source: ACS.

International trends

In 2000-01, Australia accounted for 21 (or 6 per cent) of the 339 anti-dumping and countervailing cases initiated internationally (table 2.13). This made Australia the seventh largest user of anti-dumping and countervailing duties in 2000-01 (as opposed to the fifth largest in 1998). The largest users of anti-dumping and countervailing duties in 2000-01 were the United States, the European Union, Canada, Argentina and India. These countries accounted for more than three-quarters of the initiations in 2000-01.

Australia had 61 measures in force in 2000-01. This was 4 per cent of the 1191 measures in force around the world. This left Australia as the seventh largest user of anti-dumping and countervailing duties in terms of the number of measures in force. The United States, the European Union and India accounted for over half of the anti-dumping and countervailing measures in force in 2000-01.

Table K.3 **Australian initiations of anti-dumping and countervailing cases, by trading region and economy^a, 1996-97 to 2001-02**

Region/economy							Six-year period	
	1996 -97	1997 -98	1998 -99	1999 -2000	2000 -01	2001 -02	Total	Per cent ^b
North America	1	2	1	–	1	1	6	5
Canada	–	1	–	–	–	–	1	1
United States	1	1	1	–	1	1	5	4
European Union	7	13	3	3	5	2	33	25
Austria	–	1	–	1	–	–	2	2
Belgium/Lux	–	1	1	–	–	–	2	2
Finland	–	1	1	1	–	–	3	2
France	–	2	–	–	1	–	3	2
Germany	3	3	–	–	1	–	7	5
Italy	–	1	–	–	2	–	3	2
Netherlands	1	2	–	–	–	–	3	2
Sweden	2	1	–	–	–	1	4	3
UK	–	1	1	1	1	1	5	4
Other EU	1	–	–	–	–	–	1	1
Asia	9	13	9	15	15	10	71	54
China	3	2	–	1	3	4	13	10
Hong Kong	–	1	–	–	–	–	1	1
India	1	1	–	1	–	1	4	3
Indonesia	1	3	2	5	2	1	14	11
Japan	–	1	–	1	2	–	4	3
South Korea	–	2	1	2	2	1	8	6
Malaysia	1	–	2	1	1	–	5	4
Singapore	–	1	1	1	1	–	4	3
Thailand	1	–	2	1	3	2	9	7
Taiwan	2	2	1	2	1	1	9	7
Other	5	8	5	1	–	3	22	17
Saudi Arabia	–	–	2	–	–	–	2	2
South Africa	–	3	–	–	–	1	4	3
Other	5	5	3	1	–	2	16	12
Total	22	36	18	19	21	16	132	100

– Nil. ^a Cases are defined as actions applying to one commodity from one economy. Cases where dumping and subsidisation are alleged for the same economy and commodity are counted as two distinct initiations.

^b The sum of the percentages for the individual economies may not add to the regional totals due to rounding.

Source: ACS.

Table K.4 International anti-dumping and countervailing actions, 1999-2000 and 2000-2001

Country	Initiation		Provisional measures		Definitive duties		Price undertakings		Measures in force		Per cent of total measures in force ^c	
	99-00	00-01	99-00	00-01	99-00	00-01	99-00	00-01	99-00	00-01	99-00	00-01
US	30	92	45	47	43	32	4	-	346	284	28	24
EU	57	41	32	20	24	41	14	2	203	238	17	20
India	27	37	44	52	32	41	-	-	91	121	7	10
South Africa	13	24	9	11	16	13	-	-	104	110	9	9
Canada	16	44	17	41	21	14	-	1	95	98	8	8
Mexico	7	4	6	4	5	6	-	-	90	67	7	6
Australia	19	21	4	6	5	4	-	4	53	61	4	5
Brazil	17	10	6	-	12	1	-	3	48	52	4	4
Argentina	23	44	7	8	10	13	10	1	48	48	4	4
South Korea	4	5	4	0	-	1	2	2	27	29	2	2
Turkey	2	2	-	-	8	2	-	-	13	15	1	1
New Zealand	6	5	-	2	-	3	-	-	15	13	1	1
12 WTO Members	221	329	174	191	176	171	30	13	1072	1136	88	95
All WTO Members	257	339	206	205	204	188	21	17	1216	1191	100	100

- Nil. ^c The sum of the percentages for individual countries may not equal the total due to rounding.

Source: WTO (2001a and 2002a).

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