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Productivity Commission

Trade & Assistance Review 2008-09

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The Productivity Commission

The Productivity Commission is the Australian Government's independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. Its role, expressed most simply, is to help governments make better policies, in the long term interest of the Australian community.

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.

Further information on the Productivity Commission can be obtained from the Commission's website (www.pc.gov.au) or by contacting Media and Publications on (03) 9653 2244 or email: maps@pc.gov.au

Foreword

The Productivity Commission is required under its Act to report annually on industry assistance and its effects on the economy. *Trade & Assistance Review 2008-09* contains the Commission's latest quantitative estimates of Australian Government assistance to industry. It also identifies recent developments in assistance for various industries and sectors of the economy, and looks at selected developments in international trade policy.

In response to the global financial crisis, the Australian Government implemented a number of measures aimed at maintaining liquidity in the financial system. Although temporary, these measures are likely to have some enduring effects on the finance sector. The sector also benefits from a range of taxation concessions conferred on its activities and funds under management. Chapter 4 of this *Review* reports on the measures introduced and brings together the range of budgetary and other assistance relating to the finance sector.

In preparing this document, the Commission has received helpful advice and feedback from a number of officials in Australian Government agencies. The Commission is grateful for their assistance.

Gary Banks AO
Chairman
June 2010

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Abbreviations

ADI	authorised deposit-taking institution
ANZSIC	Australia and New Zealand Standard Industrial Classification
AOFM	Australian Office of Financial Management
APRA	Australian Prudential Regulatory Authority
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office
CGT	capital gains tax
COAG	Council of Australian Governments
DAFF	Department of Agriculture, Forestry and Fisheries
DBCDE	Department of Broadband, Communications and the Digital Economy
DEWHA	Department of Environment, Water, Heritage and the Arts
DFAT	Department of Foreign Affairs and Trade
DIISR	Department of Innovation, Industry, Science and Research
DITR	Department of Industry, Tourism and Resources
DITRDLG	Department of Infrastructure, Transport, Regional Development and Local Government
DTRS	Department of Transport and Regional Services
ERA	effective rate of assistance
GFC	global financial crisis
GST	goods and services tax
MFN	most favoured nation
NRA	National Reform Agenda
OBU	offshore banking unit
RMBS	Residential Mortgage Backed Securities
TAR	Trade & Assistance Review
TES	Tax Expenditures Statement
WTO	World Trade Organization

OVERVIEW

Key points

- Government assistance to industry is provided by tariffs, budgetary outlays, taxation concessions, regulatory restrictions on competition and other measures.
  - Assistance generally benefits the industry receiving it, but can come at a cost to other industries, taxpayers and consumers.
  - Some assistance programs such as those relating to R&D and environmental objectives, can deliver net community benefits if they are well designed and effectively implemented.
- For 2008-09, total measured assistance to industries was $17.2 billion in *gross* terms and $9.0 billion in *net* terms.
  - It comprised $9.5 billion in output tariff assistance, $3.7 billion of budgetary outlays and $4.0 billion in tax concessions.
  - The cost impost on industries of import tariffs amounted to $8.1 billion.
- Since May 2009, the Australian Government has announced industry assistance budget outlays of at least $6.2 billion, mostly to be expended over the next five years.
  - The bulk of the proposed expenditure ($4.6 billion) relates to carbon emission reduction and energy programs.
  - The remainder (around $1.5 billion) relates to 'traditional' forms of Government support to industry, exports, research and development and innovation.
- The structure and performance of the Australian finance sector is shaped by a variety of government policy measures, including recent global financial crisis-related measures. Budgetary measures relating to the sector are largely tax concessions.
  - Finance sector-specific taxation concessions are estimated at $330 million for 2008-09 and are largely intended to promote Australia as a financial services centre.
  - Superannuation taxation concessions advantage complying superannuation savings vehicles and incidentally advantage superannuation service providers.
  - The GST treatment of financial supplies (input taxing) also confers a sizeable incidental benefit to the finance sector (estimated at $2.8 billion in 2008-09).
- While Government support introduced in response to the financial crisis was temporary and is now being progressively withdrawn, it is likely to have some enduring effects.
- Despite efforts to bring about a successful conclusion to the Doha Round of trade talks, little progress was achieved in 2009 and early 2010 and prospects remain uncertain.

Overview

The Australian Government assists industries through an array of measures, including import tariffs, budgetary outlays, taxation concessions, and regulatory restrictions on competition. Although assistance generally benefits the receiving industry, it can penalise other industries, taxpayers and consumers.

Industry assistance measures are more likely to yield a net pay-off to the community when targeted at significant market failures. For instance, support for R&D funding and some measures with environmental objectives may deliver net community benefits, if well designed and implemented. Assessing whether the benefits of any particular support program exceed the costs requires detailed case-by-case consideration — a task beyond the scope of this *Review.*

The industry assistance landscape in Australia has changed considerably over the last 30 years. Tariff assistance has declined markedly, predominantly through unilateral reforms. On the other hand, there has been an increasing trend towards greater budgetary assistance to industry, particularly over the last decade,

Estimates of assistance to industry

For 2008-09, measured assistance to industry, conferred by the Australian Government, was $17.2 billion in *gross* terms — comprising $9.5 billion in output tariff assistance, $3.7 billion of budgetary outlays and $4.0 billion in estimated tax concessions.

After allowing for the cost to users of tariffs on imports ($8.1 billion), estimated *net* assistance was $9.0 billion.

The primary sector received the majority of its assistance in the form of budgetary outlays, particularly drought support, although this declined in the last year. The manufacturing sector received the majority of its assistance through tariffs. For the service sector the tariff penalty on inputs significantly exceeds its measured budgetary assistance.

Some 29 per cent of budgetary assistance was for R&D and innovation, being spread across most industries. A further 21 per cent was for small business support (particularly in the form of capital gains tax concessions). About 16 per cent was sector-specific (such as drought support for primary activities) while a further 15 per cent was targeted at selected industries — particularly automotive, TCF, and film production.

At the industry level in 2008-09, the highest measured effective rates of assistance— net assistance per dollar of value added — were for the automotive, and textiles clothing and footwear industries.

Recent industry-related announcements

Since May 2009, the Australian Government has announced many budgetary and regulatory measures relating to industry assistance, across a wide range of activities. Budget *outlays* totalling about $6.2 billion, most of which is planned to be expended over the next five years, have been announced. The bulk of the proposed expenditure ($4.6 billion) relates to carbon emission reduction and energy programs. The remainder (around $1.5 billion) relates to 'traditional' forms of Australian Government support to primary. manufacturing and service industries, exports, research and development and innovation.

The Government has also announced proposals for tax concessions and rebates, including the R&D taxation credit, the offshore petroleum exploration incentive and the license fee rebate for commercial television broadcasters. Future issues of *Review* will include estimates of the concessions, based on actual usage, as they become available.

Industry assistance is also conferred through regulatory arrangements. During the year, the Government announced it would maintain the Australian regulatory regime restricting the parallel importation of books to the Australian market.

Another area of government activity that may have implications for industry assistance is infrastructure provision. The 2007-08 *Review* noted proposed new outlays in support of the provision of infrastructure and regional development, including through the Building Australia Fund, and Regional and Local Community Infrastructure program. In this *Review*, identified announcements relating to new infrastructure outlays amount to about $22 billion. These project commitments will have a range of impacts on industry, some of which could confer assistance either to recipients or to infrastructure users. However, the level of assistance, if any, and its incidence is difficult to determine and would depend on factors such as: the level of government contributions and risk sharing with the private sector; and user charges relative to the costs of service provision.

Measures affecting the finance sector

The structure and performance of the Australian finance sector has long been shaped by a variety of government policy measures, including prudential and other government regulation. Prior to the global financial crisis, budgetary measures affording assistance to the sector were largely in the form of tax concessions.

- Estimated direct assistance provided by finance sector specific taxation concessions amounted to $330 million in 2008-09. A further taxation concession, at an estimated cost of $630 million over the three-year period to 2011-12, will reduce withholding taxes on eligible distributions from managed investment trusts. In the main, these concessions are provided to make Australia a more attractive financial services centre.
- Taxation concessions for superannuation (estimated at $25 billion in 2008-09) afford advantages to complying superannuation savings vehicles over other uses of funds and indirectly advantage superannuation service providers over other fund management activities.
- The GST treatment of financial supplies (input taxing), which stems from the administrative and compliance difficulties in applying the standard GST treatment to financial services, also confers a sizeable incidental benefit to the finance sector (estimated at $2.8 billion in 2008-09).

Given the overall magnitude of the concessions benefiting the finance sector, both directly and incidentally, it is important that the advantages the concessions confer are at least commensurate with the costs involved.

In response to the global financial crisis, the Australian Government implemented a guarantee on the deposits and wholesale debt funding of banks, and directly purchased residential mortgage backed securities. In addition, the Reserve Bank of Australia expanded its liquidity operations, with the intent of maintaining liquidity in the financial system. While this support is now being progressively wound down, it is likely to have changed the structure and conduct of the sector (relative to otherwise) and to have enduring effects. In addition, international action to strengthen financial market regulations in the wake of the financial crisis is likely to influence the operation of financial markets in Australia and overseas, with flow-on effects for businesses and consumers.

As with changes to public policy in relation to markets and businesses more generally, significant changes to finance sector regulations should only be implemented following examination of the likely costs and benefits. In preference to piecemeal regulatory changes, with their attendant risks and potential for unintended consequences, the Commission would see value in a wider, more encompassing and public review of financial market regulation.

International trade policy developments

Despite widespread efforts to achieve a conclusion to the Doha Round of multilateral trade talks, little progress was made in 2009 and the early part of 2010. With no formal agenda of ministerial meetings to drive proceedings, the prospects for a successful conclusion to the round remain uncertain.

In addition to its participation in the Doha multilateral negotiations, over recent years Australia has concluded a number of preferential trade agreements (including with the United States, Thailand, Chile and ASEAN countries). During the last year, it continued negotiations on prospective bilateral agreements with China, Japan, Malaysia and Korea. The Government has also signalled that it is exploring the feasibility of other such agreements.

Against a background of increasing involvement by Australia and other countries in bilateral and regional agreements, in November 2009, the Government asked the Productivity Commission to conduct a 12 month review into their impacts on trade and investment barriers and, more generally, on Australia's trade and economic performance.

The Australian Government has also recently announced changes to tariff concession arrangements, the Enhanced Project By-law Scheme and Tariff Concession System, as well as a review of Schedule 4 of the *Customs Tariff Act 1995*. These are intended to increase business opportunities for local firms as well as to identify and remove any unnecessary complexity within the current tariff concession system.

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 to, a person in respect of carrying on a business or activity.

Assistance thus takes many forms. It extends beyond direct government subsidies to particular firms or industries and includes tariffs, quotas, regulatory restrictions on imported goods and services and tax concessions. Assistance can also arise from the provision of services below cost by government agencies and from government procurement policies.

Although assistance generally benefits the firms or industries that receive it, it typically imposes costs on other sectors of the economy. For example, direct business subsidies increase returns to recipient firms and industries, but to fund the 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 input costs for other local businesses and higher prices for consumers, who then have less money to spend on other goods and services.

Governments provide assistance for many different reasons. Some types of assistance — such as for R&D and to meet environmental objectives — can deliver net community benefits. Similarly, some policies which have industry assistance effects may be justified on other grounds, such as the achievement of social or equity objectives.

In view of the costs, as well as the potential benefits, that industry assistance can entail, government measures that provide assistance need to be monitored and regularly reviewed. One of the Productivity Commission's functions under its legislation 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 edition of *Trade & Assistance Review* contains the Commission's latest estimates of Australian Government assistance to industry (chapter 2). These estimates cover the years 2003-04 to 2008-09. They provide a broad indication of the resource allocation effects of selective government industry policies, and highlight some of the costs of industry support. Appendix A provides additional details of the Commission's estimates of assistance.

Care is required in interpreting the estimates. Among other things, they generally cover only those government measures that selectively benefit particular firms, industries or activities, and which can be quantified, given practical constraints in measurement and data availability. Because industry assistance is discriminatory and can distort the allocation of economic resources, assessing whether the benefits of any particular industry support program exceed its costs involves case-by-case consideration — a task beyond the scope of this volume.

This *Review* also reports on a number of developments since April 2009, the reporting date of the last 2007-08 *Review*, with consequences for Australia's assistance structure generally or for particular sectors or industries.

- Chapter 3 catalogues recent policy announcements relating to: R&D assistance; the rural sector; water use and irrigation; manufacturing; small business assistance; Australian industry participation and government procurement; exports; carbon emissions reduction and energy; infrastructure provision and regional development; and other various announcements. (Appendix B provides information on recent anti-dumping and countervailing duty cases in Australia.)
- Chapter 4 reports on government measures affecting the finance sector, including various budgetary measures. The chapter also notes key prudential and other financial services regulation applying to the sector.
- Chapter 5 reports on selected recent developments in international trade policy, including Australia's involvement in negotiating Preferential Trade Agreements (PTAs) and complaints affecting Australia lodged through the WTO disputes resolution framework.

2 Assistance estimates

Assistance to industry is provided through a wide array of government programs and policies. Each year, the Commission updates and publishes estimates of the assistance afforded by:

- import tariffs, which mainly assist the manufacturing sector while raising costs to consumers and to industries that use manufactured and other tariff-assisted inputs;
- Australian Government budgetary measures — divided into government outlays and tax concessions — applying to the agricultural, mining, manufacturing and service sectors; and
- certain agricultural pricing and regulatory measures.

As well as providing estimates for these three categories, the Commission aggregates them to yield an estimate of the 'combined' assistance for four broad sectors of the Australian economy — 'primary production', 'mining', 'manufacturing' and 'services' — along with effective rates of assistance for primary, mining and manufacturing industries. For each category of assistance, the Commission provides more detailed estimates of assistance by 35 industry groupings.

The Commission also disaggregates its estimates of budgetary assistance into categories (such as R&D and export assistance) to facilitate more detailed assessments of changes in the composition and nature of assistance. This *Review* extends the categories to include budgetary assistance for structural adjustment, renewable energy and small business (measures previously included in the category 'other').

Nonetheless, the estimates do not aim to capture all Australian Government support for industry (box 2.1), nor State government assistance.

Box 2.1 **Coverage of the Commission's assistance 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. Arrangements that may have assistance implications but are not part of the estimates include:

- for agricultural industries, any assistance effects that may be associated with quarantine restrictions and the allocation and pricing of water resources;
- the effects of government purchasing preferences and local content arrangements — for example, as they affect the manufacturing sector, IT industries and broadcasting;
- regulatory restrictions on competition — for example, relating to pharmacy, air services, importation of books and media and broadcasting;
- anti-dumping and countervailing measures;
- certain differential tax arrangements, including in relation to excises, the GST and superannuation;
- State and Territory government assistance to industry, other than designated agricultural marketing arrangements and rural support programs;
- government programs affecting a range of service industries, mainly relating to the provision of health, education, and community services;
- government programs affecting national security and public safety, including police and defence programs;
- government programs and taxation concessions affecting professional sport and the arts;
- government programs affecting the labour market;
- Indigenous business programs; and
- resource access arrangements relating to mining, forestry and fisheries.

The estimates reported in this chapter cover the years 2003-04 to 2008-09. The estimates presented this year mark the commencement of a new series and incorporate revisions in the treatment of assistance programs as well as underlying data sources (box 2.2). As such, they differ to the estimates published in the previous edition of *Trade & Assistance Review,* with the key differences being noted in the body of this chapter. Further information on the assistance estimation methodology, program coverage, industry allocation and implementation of the new input-output series is to be provided in a (forthcoming) Methodological Annex to this *Review*.

The following sections outline the coverage of the Commission's assistance estimates, present the most recent (2008-09) estimates and report on broad changes in the structure of industry assistance over the last three decades.

Box 2.2 **The ‘new series’ of assistance estimates**

Updated input-output and import data to estimate tariff assistance

The Commission’s previous series of tariff estimates (last published in *Trade & Assistance Review 2007-08*) were benchmarked to Australian Bureau of Statistics (ABS) input-output and import data for the year 2001-02. For the new series, the Commission has re-benchmarked its estimates to ABS input-output and import data for the year 2004-05.

Reclassification of certain service industry activity to manufacturing

In ABS input-output tables, certain service industries (particularly wholesale and retail trade) are recorded as having secondary production of items mainly produced in the manufacturing sector. In the previous series, tariff assistance to such output was recorded for the relevant services industry. For the new series, where the output protected by the tariff is primarily produced by a manufacturing industry, that output (and associated assistance) has been reclassified to the relevant manufacturing industry.

Industry disaggregation of small business taxation concessions

In previous *Reviews*, taxation concessions granted small business were reported against a residual industry category — termed ‘unallocated - other’ — because the Commission did not have information needed to determine the main activities of businesses claiming the concessions. In compiling the new series, the Commission has utilised information provided by the Australian Taxation Office to disaggregate the value of small business taxation concessions by industry. This refinement significantly reduces the level of support classified as unallocated - other.

Effective rates of assistance

The Commission’s previous estimates of the effective rate of assistance (published in *Trade & Assistance Review 2007-08*) were calculated using 2001-02 input-output data to determine the ‘value added’ for the primary, mining and manufacturing industries. For the new series, the Commission has used input-output data for 2004-05 to determine value added by industry. Estimated effective rates for both the new and previous series are presented in this *Review* for the years 2003-04 and 2005-06 (see section 2.4, below). The estimated level and year-to-year changes provided for the two series broadly align for these years.

2.1 Tariff assistance

Tariffs have direct effects on the returns received by Australian producers. The Commission’s estimates of tariff assistance are divided into three main categories — ‘output’ assistance, ‘input’ assistance and ‘net’ assistance.

- Tariffs on imported goods increase the price at which those goods are sold on the Australian market, and thus allow scope for domestic producers of competing products to increase their prices. These effects are captured by the Commission's estimates of output assistance.
- On the other hand, tariffs also increase the price of local and imported goods that are used as inputs and thus penalise local user industries. This 'penalty' is reduced if tariff concessions are available to Australian producers. The penalties are reflected in the Commission's estimates of input assistance.
- Net assistance represents the 'effective' tariff assistance provided to industry, and is calculated as output tariff assistance less the input penalty imposed by tariffs.

The Commission estimates that the gross value of tariff assistance to domestic production was around $9.5 billion in 2008-09 (table 2.1). The rise in the nominal aggregate value of tariff assistance on output over the five-year period to 2008-09 reflects growth in domestic industries and *not* an increase in tariff rates. Significant reductions in tariffs on passenger motor vehicles and parts and textiles, clothing and footwear products occurred in January 2005. Further reductions in tariffs occurred on 1 January 2010. Those changes will be reflected in the 2009-10 estimates.

Table 2.1 **Tariff assistance, 2003-04 to 2008-09[a]**

$ million (nominal)

	2003-04	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Output assistance	9 382.0	9 000.3	8 821.6	9 108.5	9 629.7	9 534.7
Input penalty	-7 278.8	-7 218.1	-6 844.1	-7 341.8	-7 898.3	-8 142.7
Net tariff assistance	2 103.1	1 782.2	1 977.4	1 766.7	1 731.4	1 392.1

[a] Estimates of tariff assistance, but not the direction of change, for 2003-04 to 2007-08 differ from those published in the previous 2007-08 *Review* due to updating of input-output and international trade benchmarks (box 2.2). Further information will be presented in the methodological annex (forthcoming) to this Review.

Source: Commission estimates.

The estimated cost penalty on inputs to user industries (including primary, manufacturing and service industries) arising from tariffs, was estimated to be around $8.1 billion for 2008-09. This compares with around $7.3 billion for 2003-04. The estimated cost penalty has increased with the general growth in the economy. The increase was moderated from 2004-05 by the removal, in May 2005, of the 3 per cent duty on a range of imports for which there was no competing domestic production, much of which were used as business inputs.

After deducting the tariff input penalty from the output assistance, *net* tariff assistance (for the Australian economy) was estimated to be around $1.4 billion in

2008-09, down from $2.1 billion in 2003-04. This is equivalent to a decline of around 34 per cent in nominal terms and 48 per cent in real terms.[1]

In the Commission's tariff assistance estimates, preferences granted under Australia's preferential trading agreements are treated on the basis that domestic prices in Australia remain unchanged (box 2.3).

Box 2.3 Treatment of preferential tariffs in assistance estimates

The tariff preferences provided under Australia's preferential trading agreements need not result in any change in prices in the domestic market and, thus, in assistance to Australian industry provided by the general (Most Favoured Nation (MFN)) tariff regime. This would be the case if producers in the partner country effectively 'pocketed' the tariff concessions, rather than reduced their prices below the prevailing (tariff-inflated) price of rival imports.

However, to the extent that tariff concessions provided by preferential trading agreements (PTAs) result in a reduction in the prices of imported products in the Australian market, assistance to the relevant industry's outputs would be lower than that implied by the MFN rate. At the same time though, to the extent that the price of imported inputs falls as a result of PTA preferences, the penalties (or negative assistance) on the industry's inputs will also be lower than implied by the MFN rate. Whether this leads to a net overstatement or understatement of assistance to the Australian industry in question would depend on trade patterns with the PTA partner countries, which products are subject to price reductions, and their relative magnitudes.

Sources: PC (2004a; 2004b; 2008a).

Tariff assistance by sector and industry

Although in aggregate net tariff assistance remains positive, the sectoral experience varies. Most tariff assistance on outputs is directed towards the manufacturing sector, and in particular the *Food, beverages & tobacco* ($1.6 billion), *Metal product manufacturing* ($1.9 billion), and *Motor vehicles & parts* ($1.5 billion) industry groups (table 2.2 left hand column).

1 The nominal value series was converted to a 'real value' series, indexed to the reference year 2004-05, using the GDP deflator.

Table 2.2 **Tariff assistance by industry grouping, 2008-09**[a]

$ million (nominal)

Industry grouping	*Output assistance*	*Input cost penalty*	*Net tariff assistance*
Primary production	**158.8**	**-71.9**	**86.9**
Dairy cattle farming	0.0	-3.8	-3.8
Grain, sheep & beef cattle farming	0.0	-23.2	-23.2
Horticulture & fruit growing	117.2	-7.4	109.9
Other crop growing	0.0	-5.0	-5.0
Other livestock farming	0.0	-1.8	-1.8
Fisheries	0.0	-15.4	-15.4
Forestry & logging	41.5	-7.4	34.1
Other primary production[b]	0.0	-7.8	-7.8
Mining	**1.4**	**-287.2**	**-285.8**
Manufacturing	**9 374.5**	**-2 844.7**	**6 529.8**
Food, beverages & tobacco	1 568.9	-447.8	1 121.1
Textiles, clothing, footwear & leather	636.8	-127.0	509.7
Wood & paper products	552.0	-145.8	406.2
Printing, publishing & recorded media	323.3	-132.0	191.3
Petroleum, coal, chemical & ass. Products	1 074.1	-304.3	769.7
Non-metallic mineral products	290.2	-79.1	211.2
Metal product manufacturing	1 923.4	-513.0	1 410.4
Motor vehicles & parts	1 530.6	-507.4	1 023.2
Other transport equipment	159.1	-110.8	48.3
Other machinery & equipment	885.9	-312.0	573.8
Other manufacturing	430.2	-165.4	264.7
Services	**0.0**	**-4 938.8**	**-4 938.8**
Electricity, gas & water supply	0.0	-87.4	-87.4
Construction	0.0	-1 574.9	-1 574.9
Wholesale trade	0.0	-376.8	-376.8
Retail trade	0.0	-710.2	-710.2
Accommodation, cafes & restaurants	0.0	-423.9	-423.9
Transport & storage	0.0	-338.5	-338.5
Communication services	0.0	-162.8	-162.8
Finance & insurance	0.0	-25.1	-25.1
Property & business services	0.0	-467.1	-467.1
Government administration & defence	0.0	-331.3	-331.3
Education	0.0	-89.2	-89.2
Health & community services	0.0	-130.1	-130.1
Cultural & recreational services	0.0	-134.4	-134.4
Personal & other services	0.0	-87.0	-87.0

[a] Tariff assistance estimates are derived using ABS Industry Gross Value Added at current prices data. This information is subject to periodic revision by the ABS. Totals may not add due to rounding. [b] Other primary production includes *Services to agriculture* (including *Hunting & trapping)* and *Poultry farming*.

Source: Commission estimates.

Mining and primary production industries receive little tariff assistance on outputs, and tariffs are not levied on services. On the other hand, because of their cost-raising effects on inputs, tariffs impose input-cost penalties on *all* industries (table 2.2 middle column), so that mining and (especially) services receive negative net assistance overall.

All manufacturing industries are estimated to receive positive net tariff assistance, as the value of tariff assistance on outputs outweighs the cost imposts of tariffs on inputs (table 2.2 right hand column).

Outside the manufacturing sector, the *Horticulture & fruit growing* and *Forestry & logging* industries are also estimated to have received positive net tariff assistance in 2008-09. Some imported products in these two particular industry groupings attract tariffs (for example, grapes and softwood conifers). All other primary, mining and service industries incur a net penalty from the level and structure of tariffs in Australia.

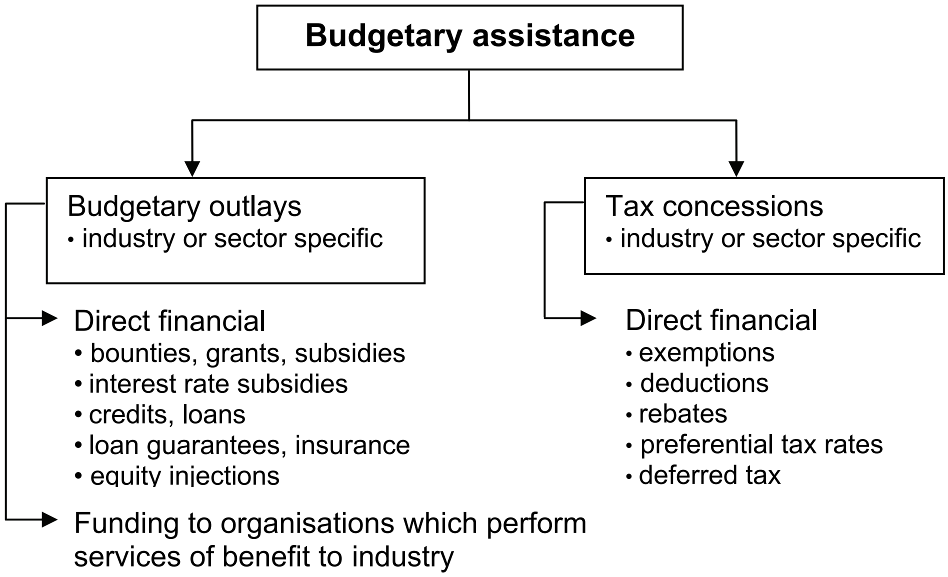
Since 2003-04, the value of net tariff assistance for the manufacturing sector has increased by 5 per cent, reflecting the general growth in manufacturing output. At the same time, the net tariff penalty on the service sector has increased by 23 per cent (to nearly $5 billion), reflecting the stronger growth of the sector (compared with manufacturing).

2.2 Australian Government budgetary assistance

Budgetary assistance includes actual payments (outlays) and tax concessions (figure 2.1). Some measures provide assistance directly to firms, such as the Automotive Competitiveness and Investment Scheme, while other budgetary support measures deliver benefits indirectly to an industry via an intermediate organisation such as the Rural Industries Research and Development Corporations and the Commonwealth Scientific and Industrial Research Organisation (CSIRO). As well as reporting its budgetary assistance estimates in the aggregate, *Trade & Assistance Review* also reports on:

- the broad category of activities — including general R&D, rural R&D, general export, general investment, industry-specific support, sectoral specific support, small business, carbon reduction and renewable energy, structural adjustment and regional development or other. — to which the assistance is directed; and
- the incidence of assistance benefits across four broad sectors and 35 industry groupings.

Figure 2.1 **Forms of budgetary assistance**



The budgetary assistance estimates are derived primarily from actual expenditures shown in departmental and agency annual reports, and the Australian Treasury Tax Expenditures Statement (TES). Industry and sectoral disaggregations are based primarily on supplementary information provided by relevant departments or agencies.

Aggregate budgetary assistance

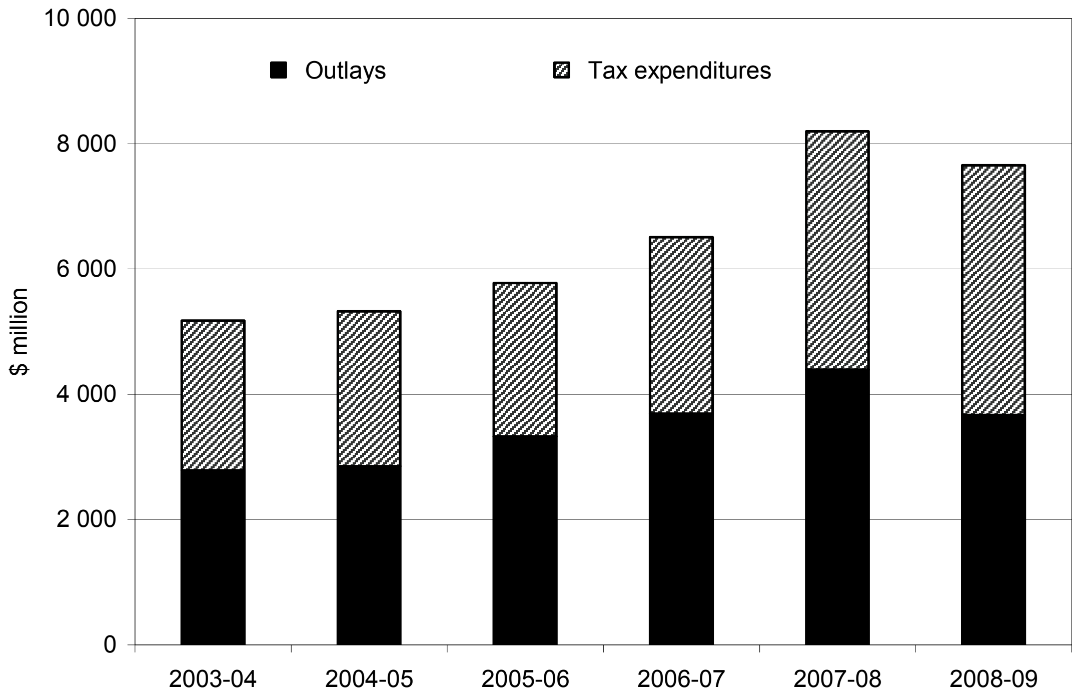
The estimated gross value of budgetary assistance to Australian industry was around $7.7 billion in 2008-09, compared with $8.2 billion in 2007-08 and $5.2 billion in 2003-04 (figure 2.2). In *real* terms, this represents a decline of 11 per cent since 2007-08, but an increase of 17 per cent since 2003-04.

The main reasons for the reduction in aggregate budgetary assistance in the last 12 months were:

- a decrease of around $240 million in claims for Exceptional Circumstances drought relief payments and interest rate subsidies;
- further decreases in other on-going programs of around $930 million, including reductions of $84 million in Murray Darling Basin grants to irrigators and $61 million under the Commercial Ready Program;
- a decrease in equine influenza outbreak assistance ($257 million in 2007-08); and

- the cessation of other programs that had amounted to about $290 million in 2007-08, the largest being the capital gains tax relief for statutory licences ($90 million).

Figure 2.2 **Budgetary assistance to industry, 2003-04 to 2008-09**
$ million (nominal)



Sources: Commonwealth Budget and Budget related papers (various years), departmental annual reports (various years); Australian Government (2010a); Commission estimates.

On the other hand, there were some increases in budgetary assistance totalling around $1.1 billion. They include:

- $305 million under existing small business capital gains tax concessions;
- $185 million under the R&D tax concession and tax offset for small companies;
- increases of about $470 million on other on-going programs; and
- around $90 million with the introduction of new programs, including a combined $32 million under the Sustainable Rural Water Use and Infrastructure Program and Tasmanian Forest Tourism Initiative in 2008-09.

In addition, not all taxation concessions affording assistance to industry are quantified in the annual TES and included in the assistance estimates. In cases where quantification is not practicable, the TES provides indicative ranges within which the value of the concession may fall. The published ranges suggest that gross budgetary assistance to industry could be substantially higher than the assistance estimates reported in this *Review*.

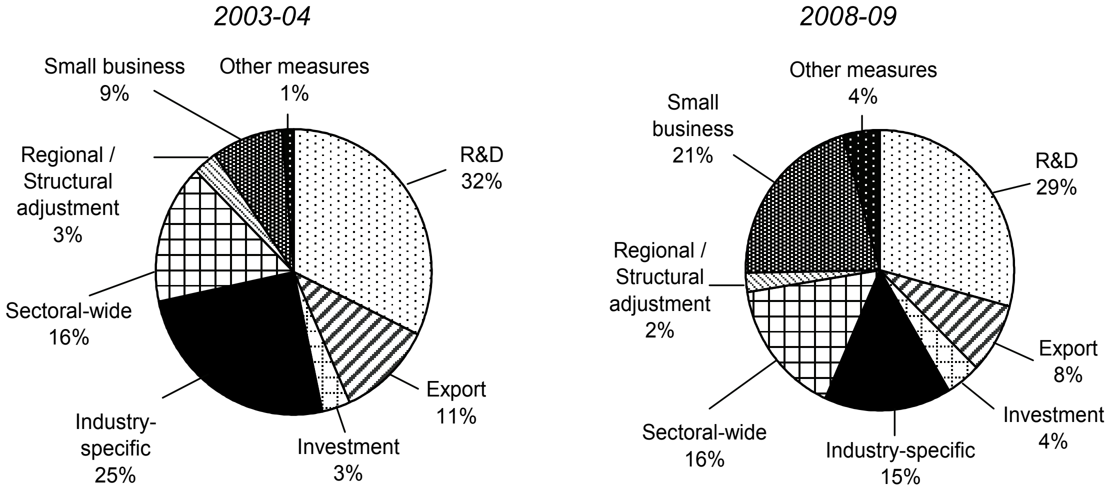
Activities targeted

Budgetary assistance is often designed to encourage particular activities (such as R&D or exports) or to support particular firms, industries or sectors. To provide an indication of the distribution of assistance among activities and to facilitate more detailed assessments of changes in the composition and nature of assistance, the Commission classifies its estimates of Australian Government budgetary assistance into several categories:

- R&D, including the R&D tax concessions, grants and funding of CSIRO;
- Export measures, including through Export Market Development Grants, import duty drawback and Austrade;
- Investment, including development allowance, several former investment attraction packages, and the recent Small Business and General Business Tax Break introduced in response to the global financial crisis;
- Industry-specific measures, including the Automotive Competitiveness and Investment Scheme, the Textiles, Clothing and Footwear Strategic Investment Program, Film industry measures and the Offshore Banking Unit concession;
- Sector-wide measures, such as 'exceptional circumstances' drought relief payments and the tax concessions under the Farm Management Deposits Scheme, in the case of the primary sector;
- Small business programs such as the small business capital gains tax concessions and the Small Business Advisory Services Program;
- Regional assistance including the Regional Partnerships Program, Tasmanian Freight Equalisation Scheme and various structural adjustment programs with a regional focus; and
- a residual 'other' category, which includes measures such as the 25 per cent Entrepreneurs' Tax Offset, the Textiles, Clothing and Footwear Corporate Wear Program and the Venture Capital Limited Partnerships Program.

Budgetary assistance is largely directed towards R&D (29 per cent), with most of the remainder spread between sectoral assistance (16 per cent), industry-specific assistance (15 per cent) and small business assistance (21 per cent) (figure 2.3, right hand panel). The structure of budgetary assistance to industry has been evolving. In particular, support for small business has increased in recent years as a proportion of total budgetary assistance. It has risen from 9 per cent of budgetary assistance in 2003-04 (figure 2.3, left hand panel) to an estimated 21 per cent of measured assistance in 2008-09 (right hand panel). At the same time, the importance of industry-specific programs has declined relative to other programs.

Figure 2.3 Budgetary assistance by category, 2003-04 and 2008-09



Source: Commission estimates.

A number of the budgetary measures included in the estimates relate to carbon pollution reduction, renewable energy and energy efficiency goals. These measures support a range of activities that span R&D, industry-specific and other measures. The measures amounted to around $170 million (2.2 per cent) of estimated budgetary assistance in 2008-09.

Some caution is required when interpreting these estimates. While programs have been allocated to one category only (based on the main activities receiving program support), some have characteristics that relate to more than one category. For example, the R&D category includes rural R&D, which could also be considered sector specific. On the other hand, as noted, measures aimed at carbon pollution reduction and energy efficiency are covered in more than one category.

Sectoral and industry distribution

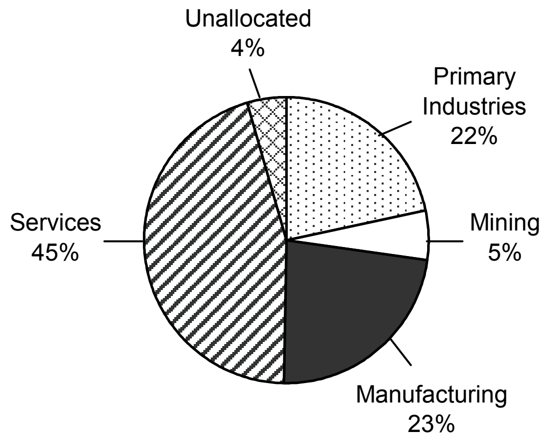
The Commission records the incidence of budgetary assistance by the initial benefiting industry, that is, the industry which receives the assistance first.[2] Estimates are presented for 35 industry groupings, while four 'unallocated'

[2] While the Commission has used detailed information to make allocations, the need for judgment means that there remains some scope for imprecision. More detailed discussion of the budgetary assistance methodology is available in a methodological annex (forthcoming).

categories are used for programs for which it has not been possible to confidently identify the initial benefiting industry or sector.[3]

In the 2007-08 and previous *Reviews*, industry information was not available in relation to the small business capital gains tax concessions (small business capital gains tax exemption, retirement exemption, asset exemption and 50 per cent reduction). For this Review, information with respect to the initial benefiting industry sector has been provided by the Australian Taxation Office. With this change and more detailed analysis of some other items, budgetary assistance classified as 'unallocated-other' has been reduced from over one-fifth of budgetary outlays and concessions to around four per cent (figure 2.4).

Figure 2.4 **Budgetary assistance by sector, 2008-09**



Source: Commission estimates.

In 2008-09, the services sector is estimated to have received around 45 per cent of estimated budgetary assistance; up from around 27 per cent in 2007-08 reported in the previous *Review*. The main reason for the reported increase is due to the inclusion of various small business tax concessions (see box 2.2), a large proportion of which primarily benefit the services sector.

The smaller manufacturing and primary production sectors each received around one-quarter of total estimated budgetary assistance, while the mining received relatively little measured assistance. For the primary sector, most budget assistance was afforded through outlays, while for manufacturing (and mining), assistance was relatively evenly divided between budget outlays and taxation concessions.

At the industry level, estimated budgetary assistance was highest for *Grain, sheep & beef cattle farming* ($923 million), mainly in the form of drought assistance payments and rural-specific R&D support. *Property & businesses services* and *Finance & insurance* were the next largest recipient industries ($744 million and $613 million respectively), mainly through Small Business Capital Gains Tax concession measures, the Offshore Banking Unit Tax Concession Program and R&D tax concessions (including for syndicated R&D) (table 2.3).

3 The 35 industry groupings are based on the 1993 Australia and New Zealand Standard Industrial Classification (ANZSIC)

Table 2.3 **Budgetary assistance by industry grouping, 2008-09**

$ million (nominal)

Industry grouping	*Outlays*	*Tax concessions*	*Total budgetary assistance*
Primary production	**1 440.0**	**228.8**	**1 668.8**
Dairy cattle farming	104.9	19.1	124.1
Grain, sheep & beef cattle farming	741.8	181.4	923.2
Horticulture & fruit growing	133.8	44.5	178.3
Other crop growing	40.0	27.6	67.6
Other livestock farming	19.7	9.6	29.3
Fisheries	71.5	25.9	97.4
Forestry & logging	17.3	-87.6	-70.3
Other primary production[a]	14.8	8.3	23.1
Unallocated primary production[b]	296.1	0.0	296.1
Mining	**109.3**	**310.8**	**420.1**
Manufacturing	**723.8**	**1 041.7**	**1 765.6**
Food, beverages & tobacco	65.5	58.5	124.0
Textiles, clothing, footwear & leather	112.4	16.4	128.9
Wood & paper products	69.5	13.7	83.2
Printing, publishing & recorded media	5.5	7.6	13.0
Petroleum, coal, chemical & ass. Products	140.1	52.9	193.0
Non-metallic mineral products	8.5	14.2	22.6
Metal product manufacturing	55.8	110.1	165.9
Motor vehicles & parts	24.6	548.7	573.3
Other transport equipment	20.7	18.9	39.6
Other machinery & equipment	122.7	73.8	196.5
Other manufacturing	19.9	8.6	28.5
Unallocated manufacturing[b]	78.5	118.4	196.9
Services	**1 181.2**	**2 285.7**	**3 466.9**
Electricity, gas & water supply	77.5	15.7	93.2
Construction	21.7	192.6	214.3
Wholesale trade	58.6	162.3	220.9
Retail trade	199.6	192.0	391.5
Accommodation, cafes & restaurants	5.7	162.1	167.8
Transport & storage	48.3	89.8	138.1
Communication services	109.8	45.7	155.5
Finance & insurance	46.1	566.7	612.8
Property & business services	181.0	563.3	744.3
Government administration & defence	27.3	4.9	32.2
Education	20.2	11.6	31.9
Health & community services	97.3	127.2	224.5
Cultural & recreational services	115.6	77.9	193.5
Personal & other services	14.4	73.8	88.2
Unallocated services[b]	158.2	0.0	158.2
Unallocated other[b]	**215.2**	**118.8**	**334.0**
TOTAL	**3 669.5**	**3 985.8**	**7 655.4**

[a] Other primary production includes Services to agriculture, Hunting & trapping and Poultry farming.
[b] Unallocated includes programs where details of beneficiaries cannot be readily identified.

Source: Commission estimates.

Motor vehicles & parts received budgetary assistance totalling $573 million, mainly through the Automotive Competiveness and Investment Scheme (ACIS). The (negative) estimated assistance to *Forestry & logging* for 2008-09 reflects the reversal in the estimate for the accelerated write-offs on forestry-managed investments from positive assistance last year (the acceleration stage) to increased taxation this year (the pay-back stage).[4]

2.3 Combined assistance

This section presents the results of combined tariff, budgetary assistance, and agricultural pricing and regulatory assistance. Combined assistance is reported in terms of the net value of assistance and its components, and the effective rate of assistance (box 2.4).

Box 2.4 **Summary measures of combined assistance**

In reporting its estimates of combined net assistance, the Commission adopts two summary measures. First, it reports total net assistance (otherwise known as the *net subsidy equivalent (NSE)),* which is the dollar value of net assistance to the land, labour and capital resources used in a particular industry or activity. It indicates the level of transfers of income to benefiting producers from consumers, taxpayers and other firms, although it does not indicate the ultimate 'economic welfare' costs or benefits to the community of the assistance. NSE estimates are reported for the four sectors and 35 industry groupings.

The second summary measure is the *effective rate of assistance* (ERA). It measures the NSE of combined assistance to a particular industry in proportion to that industry's unassisted net output (or unassisted value added). It 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 relatively 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. ERA estimates are reported for industries in the primary production, mining and manufacturing sectors. Effective rates of assistance are not published for the services sector.

4 The Commission estimates assistance as occurring in the year in which the budgetary outlay (receipt) occurs.

Aggregate estimates

Total estimated *gross* assistance was \$17.2 billion in 2008-09, a decline of around \$0.8 billion from 2007-08 (table 2.4). This represents a decline of around 4 per cent in nominal terms and 9 per cent in real terms.

Table 2.4 **Combined assistance, 2003-04 to 2008-09**[a]

\$ million (nominal)

	2003-04	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Tariff output assistance	9 382.0	9 000.3	8 821.6	9 108.5	9 629.7	9 534.7
Budgetary outlays	2 783.4	2 854.3	3 328.5	3 690.2	4 391.4	3 669.5
Tax concessions	2 393.1	2 471.4	2 445.9	2 819.6	3 804.9	3 985.8
Agricultural & pricing assistance	165.9	148.7	141.2	124.3	120.1	0.2
Gross combined assistance	**14 724.3**	**14 474.7**	**14 737.1**	**15 742.6**	**17 946.2**	**17 190.3**
Tariff input assistance	-7 278.8	-7 218.1	-6 844.1	-7 341.8	-7 898.3	-8 142.7
Net combined assistance	**7 445.5**	**7 256.6**	**7 893.0**	**8 400.8**	**10 047.9**	**9 047.6**

a Estimates of the value of combined assistance, but not direction of change, for 2003-04 to 2007-08 differ from those published in the previous 2007-08 *Review* due to updating of the series benchmarks (box 2.2). Further information on the update will be presented in the methodological annex (forthcoming) to this Review.

Source: Commission estimates.

After considering the negative effects of tariff assistance on industry inputs, total estimated *net* assistance amounted to around \$9.0 billion in 2008-09, a decrease of around \$1.0 billion (in nominal terms) from 2007-08. Between 2003-04 and 2008-09, total estimated net assistance to industry has increased by 22 per cent in *nominal* terms and decreased by 4 per cent in real terms.

Sector and industry estimates

Value of assistance

Table 2.5 summarises, at the industry level, tariff and budgetary assistance information for 2008-09. Reflecting the earlier discussion on the individual elements, the manufacturing sector receives the highest level of combined industry assistance because of the tariff assistance on its outputs. Although the services sector receives the most budgetary assistance (nearly \$3.5 billion in identifiable support), such assistance is outweighed by the input tariff penalty (\$4.9 billion). A time series of net combined assistance (column 7) for the period 2003-04 to 2008-09 is presented in appendix A.

Table 2.5 **Combined assistance by industry grouping, 2008-09**[a]

$ million (nominal)

Industry grouping	Tariffs: Output	Tariffs: Input penalty	Net tariff assistance	Budgetary: Outlays	Budgetary: Tax concess	Net combined assistance
Primary production[b]	**158.8**	**-71.9**	**86.9**	**1 440.0**	**228.8**	**1 755.9**
Dairy cattle farming[b]	0.0	-3.8	-3.8	104.9	19.1	120.5
Grain, sheep & beef cattle	0.0	-23.2	-23.2	741.8	181.4	900.1
Horticulture & fruit growing	117.2	-7.4	109.9	133.8	44.5	288.1
Other crop growing	0.0	-5.0	-5.0	40.0	27.6	62.6
Other livestock farming	0.0	-1.8	-1.8	19.7	9.6	27.5
Fisheries	0.0	-15.4	-15.4	71.5	25.9	82.0
Forestry & logging	41.5	-7.4	34.1	17.3	-87.6	-36.2
Other primary production	0.0	-7.8	-7.8	14.8	8.3	15.3
Unallocated primary	0.0	0.0	0.0	296.1	0.0	296.1
Mining	**1.4**	**-287.2**	**-285.8**	**109.3**	**310.8**	**134.3**
Manufacturing	**9 374.5**	**-2 844.7**	**6 529.8**	**723.8**	**1 041.7**	**8 295.4**
Food, beverages & tobacco	1 568.9	-447.8	1 121.1	65.5	58.5	1 245.1
Textiles, clothing & footwear	636.8	-127.0	509.7	112.4	16.4	638.6
Wood & paper products	552.0	-145.8	406.2	69.5	13.7	489.5
Printing, publishing & media	323.3	-132.0	191.3	5.5	7.6	204.3
Petroleum, coal & chemicals	1 074.1	-304.3	769.7	140.1	52.9	962.8
Non-metallic mineral products	290.2	-79.1	211.2	8.5	14.2	233.8
Metal product manufacturing	1 923.4	-513.0	1 410.4	55.8	110.1	1 576.3
Motor vehicles & parts	1 530.6	-507.4	1 023.2	24.6	548.7	1 596.5
Other transport equipment	159.1	-110.8	48.3	20.7	18.9	88.0
Other machinery & equipment	885.9	-312.0	573.8	122.7	73.8	770.3
Other manufacturing	430.2	-165.4	264.7	19.9	8.6	293.2
Unallocated manufacturing	0.0	0.0	0.0	78.5	118.4	196.9
Services	**0.0**	**-4938.8**	**-4938.8**	**1181.2**	**2285.7**	**-1471.9**
Electricity, gas & water	0.0	-87.4	-87.4	77.5	15.7	5.8
Construction	0.0	-1 574.9	-1 574.9	21.7	192.6	-1 360.7
Wholesale trade	0.0	-376.8	-376.8	58.6	162.3	-155.9
Retail trade	0.0	-710.2	-710.2	199.6	192.0	-318.6
Accomm., cafes & restaurants	0.0	-423.9	-423.9	5.7	162.1	-256.1
Transport & storage	0.0	-338.5	-338.5	48.3	89.8	-200.4
Communication services	0.0	-162.8	-162.8	109.8	45.7	-7.3
Finance & insurance	0.0	-25.1	-25.1	46.1	566.7	587.7
Property & business services	0.0	-467.1	-467.1	181.0	563.3	277.2
Government admin. & defence	0.0	-331.3	-331.3	27.3	4.9	-299.1
Education	0.0	-89.2	-89.2	20.2	11.6	-57.4
Health & community services	0.0	-130.1	-130.1	97.3	127.2	94.4
Cultural & recreational	0.0	-134.4	-134.4	115.6	77.9	59.1
Personal & other services	0.0	-87.0	-87.0	14.4	73.8	1.3
Unallocated services	0.0	0.0	0.0	158.2	0.0	158.2
Unallocated other	**0.0**	**0.0**	**0.0**	**215.2**	**118.8**	**334.0**
TOTAL[b]	**9 534.7**	**-8 142.7**	**1 392.1**	**3 669.5**	**3 985.8**	**9 047.6**

[a] Read in conjunction with notes to tables 2.2 and 2.3. [b] Net combined assistance includes $0.2 million agricultural pricing and regulatory assistance (table 2.4).

Source: Commission estimates.

Effective rates of (combined) assistance

Estimated effective rates of combined assistance by sector and industry

For the manufacturing sector, the estimated effective rate of assistance — dollar value of assistance as a proportion of (unassisted) value added — has remained at around 4.6 per cent since 2004-05 (table 2.6). The effective rate for the primary sector has been more variable, ranging from 4.6 to 7.5 per cent. The estimated effective rate of assistance from tariff and budgetary assistance for mining has been negligible.

Textiles, clothing, footwear & leather and *Motor vehicles & parts*

The *Textiles, clothing, footwear & leather* and *Motor vehicles & parts* industry groupings continue to have relatively high effective rates of combined assistance — more than double the manufacturing sector average in 2008-09. While remaining relatively high, the estimated effective rates of assistance to both industry groups have declined significantly over recent decades following significant reductions in tariffs and the removal of import quotas.[5] Effective rates would be expected to decline further as a consequence of the legislated tariff cuts on 1 January 2010. However, the effective rate will also depend upon whether budgetary assistance under the new 'Car Plan' is higher or lower than under the previous arrangements (such as ACIS).

Dairy cattle farming and Grain, sheep & beef cattle farming

The estimated effective rate of assistance for *Dairy cattle farming* declined markedly from 2007-08 to 2008-09 — 15.4 per cent to 4.4 per cent. This reflects a decline in Exceptional Circumstances drought support and the cessation of payments under the Dairy Structural Adjustment Program in April 2008. Prior to the dairy industry's deregulation in July 2000, the effective rate of combined assistance was estimated to exceed 30 per cent.

Also reflecting lower claims for Exceptional Circumstances drought support, the effective rate of assistance for the *Grain, sheep & beef cattle* group declined from 8.1 per cent in 2007-08 to 6.3 per cent in 2008-09.

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5 Whereas in 2008-09 automotive tariffs were 10 per cent, and tariffs on TCF upwards of 17.5 per cent, in the late-1980s automotive tariffs were 45 per cent, and the highest tariff rate for any one TCF line item (inclusive of the effect of tariff quotas) was 125 per cent. The effective rates of assistance for the automotive industry and TCF were 140 per cent and 157 per cent, respectively, in 1984-85 (using the 1983-84 input-output series).

Table 2.6 **Effective rate of combined assistance by industry grouping, 2003-04 to 2008-09**[a]

per cent

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Primary production[b]	**4.9**	**4.6**	**4.9**	**7.1**	**7.5**	**4.9**
Dairy cattle farming	13.7	10.3	11.7	16.8	15.4	4.4
Grain, sheep & beef cattle	4.3	3.4	4.1	7.5	8.1	6.3
Horticulture & fruit growing	5.2	4.9	4.7	4.6	4.8	5.6
Other crop growing	6.1	6.3	7.0	5.9	5.0	1.8
Other livestock farming	3.0	1.8	2.5	2.8	3.7	2.4
Fisheries	2.1	5.6	4.1	16.1	10.0	4.5
Forestry & logging	4.7	8.2	7.9	5.1	4.4	-2.4
Other primary production[c]	0.7	0.5	0.4	0.5	0.5	0.3
Mining	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**
Manufacturing[b]	**5.1**	**4.7**	**4.6**	**4.6**	**4.6**	**4.6**
Food, beverages & tobacco	3.3	3.2	3.4	3.3	3.3	3.4
Textiles, clothing & footwear	19.6	17.4	15.3	14.6	14.4	14.5
Wood & paper products	4.7	4.7	4.9	4.9	5.2	5.3
Printing, publishing & media	1.4	1.3	1.4	1.4	1.5	1.5
Petroleum, coal, & chemicals	3.6	3.3	3.5	3.6	3.7	3.7
Non-metallic mineral products	2.4	2.5	2.5	2.6	2.6	2.6
Metal product manufacturing	4.8	4.7	4.7	4.7	4.6	4.5
Motor vehicles & parts	16.4	14.5	12.2	12.4	12.0	11.8
Other transport equipment	1.7	1.4	2.0	1.7	1.8	2.0
Other machinery & equipment	3.5	3.4	3.7	3.7	3.7	3.8
Other manufacturing	5.5	4.8	5.3	5.2	5.3	5.0

[a] 'Combined assistance' comprises budgetary, tariff and agricultural pricing and regulatory assistance. [b] Sectoral estimates include assistance to the sector that has not been allocated to specific industry groupings. [c] Other primary production includes *Services to agriculture* (including *Hunting & trapping*) and *Poultry farming*.

Source: Commission estimates.

Fisheries and *Forestry & logging*

The estimated effective rate of assistance to *Fisheries* and *Forestry & logging* have changed markedly over recent years. A decline in annual expenditure under the Fisheries Structural Adjustment Program has seen the estimated effective rates for Fisheries decrease from 16.1 per cent in 2006-07 to 10.0 per cent in 2007-08 and to 4.5 per cent in 2008-09.[6]

6 For the previous series of estimates (*Trade & Assistance Review* 2007-08), the effective rates were 30.1 for 2006-07 and 17.4 for 2007-08. The difference between estimates from the new and old series mainly relates to differences in the estimated value added intensity of output for the fishing industry in the respective input-output tables used for the two series of estimates (box 2.2).

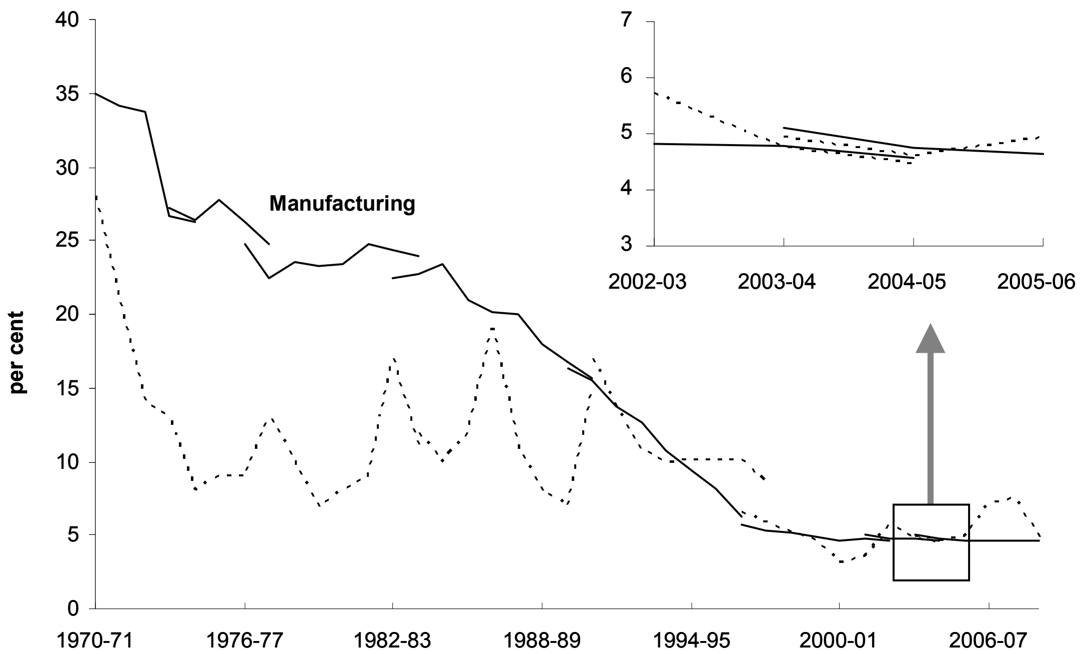
The change in effective assistance to Forestry & logging from 4.4 per cent in 2007-08 to a negative 2.4 per cent for 2008-09 reflects the reversal in the estimate for the accelerated write-offs on forestry-managed investments from positive assistance in 2007-08 (the acceleration stage) to increased taxation in 2008-09 (the pay-back stage) (see appendix table A.4).

2.4 Effective rates of industry assistance since 1970

The Commission has estimated assistance to the manufacturing and agricultural sectors since the early 1970s. The estimates have been derived in several 'series', each spanning a number of consecutive years, with each series retaining a common methodology, coverage of measures and data sources across those years. Nevertheless, some caution is required when comparing estimates from the different series, as there can be changes in the coverage of assistance measures, and in methodologies and data sources. Despite such differences, taken together, the series provide a broad indication of directions and trends in assistance at the sectoral level.

Figure 2.5 presents effective rate estimates from the different series since 1970-71. Breaks in the series are represented by gaps in the chart, and overlaps are included to show the effects, of the changes made in moving between series.

Figure 2.5 **Effective rates of assistance to manufacturing and agriculture, 1970-71 to 2008-09**



Source: Commission estimates.

The estimates indicate a marked decline in measured assistance to the manufacturing sector over the last 35 years. The estimated effective rate of assistance for manufacturing (as calculated in the first series) was around 35 per cent in 1970-71, whereas since 2000, the rate (as calculated in the new 2004-05 series, as well as in the previous 2001-02 series) has been around 5 per cent. Major influences on this decline have been the 25 per cent across-the-board tariff cut of 1973, the abolition of (subsequent) tariff quotas and the broad programs of tariff reductions that commenced in the late 1980s. Recent declines have been associated mainly with reductions in tariff assistance to the TCF and passenger motor vehicle industries.

For agriculture, the estimated effective rate of assistance (as calculated in the first series) was over 25 per cent in 1970-71 and, by 1974-75, it had fallen to about 8 per cent. The subsequent volatility in the agricultural estimates, particularly through the 1970s and 1980s, reflects variation in differences between domestic support prices and world prices (used for assistance benchmarks) as well as the impact of drought and other factors on output.

The rise in the effective rate of assistance to agricultural in 2006-07 and 2007-08 reflects significant increase in Exceptional Circumstances drought relief payments and interest rate subsidies at the height of the drought. Such assistance declined in 2008-09 and the estimated assistance to the sector has reduced to around 5 per cent.

2.5 Summing up

In real terms, estimated *net* assistance to Australian industries decreased by 4 per cent over the period 2003-04 to 2008-09.

The mix of industry assistance has changed considerably over these six years. Net tariff assistance continued to decline in both nominal and real terms, and agricultural pricing and marketing assistance has fell to negligible levels. At the same time, estimated budgetary assistance increased by 17 per cent in real terms between 2003-04 and 2008-09.

The nature of budgetary assistance to industry has also been evolving. Tax concessions, particularly to small business, have increased recently as a proportion of total budgetary assistance. On the other hand, support designated as specific to an industry grouping has tended to decline as a proportion of total assistance.

Chapter 3 reports on additional budgetary measures that have been announced in 2009-10 and, thus, are not captured in estimates in this *Review*, but which will influence future estimates of budgetary assistance to industry.

3 Recent developments in industry assistance

This chapter provides an overview of numerous Australian Government announcements and related developments pertaining to industry assistance, made since April 2009, the reporting date for *Trade & Assistance Review 2007-08*.

The Australian Government responded to three major reviews that had been completed in 2009 — those covering export policies and programs (Mortimer review), innovation (Cutler review), and textiles, clothing and footwear (Green review). The Government's response to the review of automotive assistance (Bracks review) was reported in *Trade & Assistance Review 2007-08*.

The Australian Government also announced new programs relating to the use of irrigation water in agriculture, including in relation to water use efficiency on farms and exit grants from irrigation based rural production, and made numerous announcements relating to carbon reduction, renewable energy and energy efficiency.[1] The Government has also announced policies intended to encourage procurement from local businesses including local content and Australian made programs.

Developments in industry assistance are reported in the following groupings: research, development and innovation; rural sector; water use and irrigation; manufacturing sector; small business; Australian industry participation and government procurement; exports; carbon emissions reduction and energy; infrastructure provision and regional development; and other.

3.1 Research, development and innovation

Support for business R&D, including innovation and commercialisation, forms a significant component of the Australian Government's budgetary assistance to

[1] A comprehensive stock-take of Australian, State and Territory governments' programs relating to carbon emission reduction was published in *Trade & Assistance Review 2007-08*. It identified over 240 current and prospective measures at that time.

industry. It accounted for around one-third of budgetary assistance in 2008-09 (chapter 2).

Government response to the Review of the National Innovation System

In September 2008, the final report of the *Review of the National Innovation System* (the Cutler review) was released (Cutler 2008). The Government's response to the report in May 2009 was provided in *Powering Ideas: An Innovation Agenda for the 21st Century* (Australian Government 2009a). In the Agenda, the Government nominated seven priorities which include, for business innovation, the dissemination of new technologies, processes, and ideas, with a particular focus on small and medium sized enterprises. Specifically, the Government signalled that its goal was to achieve a 25 per cent increase in the proportion of business engaging in innovation over the next decade. This section summarises the Government's decisions with respect to R&D tax concessions, Commercialisation Australia and provision of venture capital.

R&D tax concessions

The Cutler review recommended, amongst other things, that the existing R&D Tax Concession, Tax Offset, Premium Tax Concession and International Premium Tax Concession be replaced with an R&D Tax Credit. In its response, the Government accepted the recommended redesign — away from a tax concession to a tax credit basis — but with some changes in suggested program parameters. In particular, it decided the refundable credit would be 45 per cent (equivalent to a 150 per cent Tax Concession), rather than the 50 per cent credit recommended by the review. It also set the turnover threshold below which the 45 per cent credit would apply, at $20 million, rather than the $50 million recommended. A 40 per cent credit would apply for firms with aggregate turnover of $20 million or more. The Tax Credit scheme is planned to come into effect from 1 July 2010 and apply to both new and existing R&D activities carried out from that date.[2]

The Government also accepted the thrust of the review's recommendation to tighten the definition of eligible R&D to ensure that only genuine R&D qualifies for tax incentives. On 31 March 2010, revised Exposure Draft Legislation was published on the Treasury website for public comment. It contained a new definition of R&D

2 As a transitional measure, the R&D expenditure cap for the existing R&D Tax Offset was increased from $1 million to $2 million for the 2009-10 financial year. This change is intended to address perverse incentives for firms to limit their R&D spending under the current $1 million threshold, and provide additional funds to small companies in research intensive industries, particularly during the global financial crisis (Carr and Swan 2009).

and tightens eligibility for supporting activities, compared with the rules for the (previous) R&D tax concession. This Exposure Draft replaces the December 2009 draft.

Commercialisation Australia

As part of the innovation agenda the Government announced it would establish a Commonwealth Commercialisation Institute — subsequently established as Commercialisation Australia — to assist innovative small and medium sized companies with the commercialisation of promising research and innovation (Carr 2009a).

Commercialisation Australia also replaces the Commercialising Emerging Technologies (COMET) program. COMET had been in operation for almost 10 years, at a cost of about $10 million annually. The Cutler review had recommended extension of COMET for a further 5 years with at least a 25 per cent increase in funding. In relation to commercialisation, Cutler had also recommended the creation of a new program — Competitive Innovation Grants — to provide competitive based grants, repayable upon success, for high-risk, proof of concept and development stage activity. The review recommended that the proposed program aim to assist around 200 firms annually at a cost of $150 million per year.

The May 2009 Budget provided $196.1 million over four years for Commercialisation Australia and $82 million per annum thereafter. Eligible applicants can apply for:

- *Skills and Knowledge grants* of up to $50 000 to access specialist advice and services to help build the skills, knowledge and connections required to commercialise new ideas — grants are provided on an 80:20 funding ratio where the participant funds 20 per cent of the project costs;
- *Experienced Executives grants* of up to $200 000, on a matching funding basis, over two years to assist in the recruitment of experienced Chief Executive Officers and other executives;
- *Proof of Concept grants* from $50 000 to $250 000, on a matching funding basis, to assist with testing the commercial viability of the business model or idea for a product, process or service; and
- *Early-stage Commercialisation repayable grants* of $250 000 to $2 million to support activities designed to develop a new product, process or service to the stage where it can be taken to market. Funding will be repayable on the success of the project.

Each successful applicant will be assigned a Case Manager (independent contractors with extensive experience in commercialisation) to guide them through the commercialisation process, and they will have access to Volunteer Business Mentors.

Venture capital

In March 2009, the Government announced the Innovation Investment Follow-on Fund (IIFF) program as a temporary measure to address the lack of capital available to the most promising innovative companies during the global financial crisis (Carr 2009n). Up to $83 million will be offered in follow-on funding to over twenty venture capital fund managers licensed by the Commonwealth under existing programs.

In May 2009, as part of the Innovation Agenda, the Government announced it intended to continue to provide support to increase access to private equity capital for new, innovative, high risk ‘ventures’ (including tax incentives through the existing Venture Capital Limited Partnerships Program (VCLPP) and Early Stage Venture Capital Limited Partnerships Program) and to equity based measures such as the Innovation Investment Fund (IIF). The Cutler review had recommended continuation of two existing venture capital programs — the Innovation Investment Fund and the Pre-Seed Fund programs — at a cost of $400 million over 15 years. This largely matched previous annual funding levels.[3]

In August 2009, the Australian Government announced that it would invest $64 million into some of the most promising early stage companies in Australia. The funding is shared across 11 fund managers from Rounds 1 and 2 of the *Innovation Investment Fund* (IIF), the *Pre-Seed Fund* (PSF) and the *ICT Incubators* program.

Subsequently, the Australian Government announced the licensing of two new Innovation Investment Fund (IIF) funds: Yuuwa Capital (November 2009) and OneVentures (March 2010). Each will be a $40 million fund consisting of $20 million from the Australian Government and $20 million from the private sector (Carr 2009b).

[3] The review also recommended that data be collected on support to firms under these programs to enable meaningful longitudinal effective monitoring of the impact of such government support.

Cooperative Research Centres

The Cooperative Research Centres (CRC) Program was established in 1990. CRCs are a collaborative arrangement between universities, industry and government. Total Australian Government funding has been over $3.3 billion, covering 185 former and current Centres, chosen through 12 competitive rounds. Participants in CRCs have committed a further $10.8 billion in cash and in-kind. Actual contributions from participants are often higher than contracted amounts, for example in 2008-09, participant contributions were more than $1 billion over contracted requirements.

The CRC program was separately reviewed (O'Kane review) as part of the broader Cutler review of innovation. The Government responded in November 2008, introducing new CRC Guidelines based on the O'Kane and Cutler recommendations (*Trade & Assistance Review 2007-08*, p.38).

Announcements relating to the allocation of CRC funding since April 2009 include:

- In the May 2009 Budget, the Australian Government announced $15 million in additional funding to be provided over three years to the Bushfire CRC for specific research tasks arising from the Victorian bushfires in early 2009.
- In August 2009, the Australian Government announced that 10 successful CRCs are to receive $243 million under the 11th selection round of the CRC Program, including in the areas of climate change and indigenous health, and provide technological advances to small and medium sized enterprises to increase their competitiveness (Carr 2009c).
- In December 2009, the Australian Government announced that seven successful CRCs are to receive a total of $130 million in the 12th Selection Round of the CRC Program (Carr 2009d).
- The 13th CRC Selection Round was announced in December 2009 (Carr 2009e). While noting that applications are encouraged from all industry and community sectors and research disciplines, applications in two priority areas — Manufacturing Innovation and Social Innovation — were particularly encouraged.

Extension of funding for National ICT Australia

In the May 2009 Budget, the Australian Government announced a four-year funding extension of $185.5 million to National ICT Australia (NICTA) to provide funding certainty from 2011-12 to 2014-15 (Conroy and Carr 2009). The Centre aims to promote and facilitate a national approach to ICT research in Australia. Prior to this announcement, Australian Government commitments totalled $379 million since commencement in 2002-03 (DIISR 2009a).

National Enabling Technologies Strategy

The National Enabling Technologies Strategy was announced as part of *Powering Ideas: An Innovation Agenda for the 21st Century* in the May 2009 Budget. The Strategy has funding of $38.2 million to provide a framework for the responsible development of enabling technologies such as nanotechnology and biotechnology. The Strategy is intended to ensure that balanced, factual information is easily accessible to the community and industry and to deliver nationally consistent measures promoting the uptake of these technologies by Australian industry. In February 2010, the Government announced a funding allocation for the implementation of the Strategy (Carr 2010a), including:

- $10.6 million for policy and regulatory development, industry uptake, international engagement and strategic research;
- $9.4 million for public awareness and community engagement to increase understanding of enabling technologies; and
- $18.2 million for the National Measurement Institute to improve measurement infrastructure, standards and expertise and ensure that Australia leads the way internationally.

The arrangement also includes a Stakeholder Advisory Council to advise on implementation, and an Expert Forum for Enabling Technologies to monitor emerging trends.

3.2 Rural sector

In 2008-09, Australian Government support for the rural sector comprised around one fifth of measured budgetary assistance to industry (chapter 2). Significant developments during the year included changes to drought assistance arrangements and several measures relating to water.

Exceptional Circumstances drought assistance

The main Australian Government program providing assistance to the rural sector during drought has been the Exceptional Circumstances (EC) program. It has provided short-term assistance to individuals, farm businesses and farm-dependent rural businesses experiencing the effects of *rare and severe* drought events —

events designated as outside those that a farmer could normally be expected to manage using responsible farm management strategies (DAFF 2008; PC 2009a). There are two main forms of EC drought assistance: relief payments; and interest rate subsidies.

Federal spending on EC drought assistance declined from around $1.1 billion in 2007-08 to around $818 million in 2008-09. (State Governments provide EC support separately to Australian Government expenditure.) This decline was associated with an easing in drought conditions and a reduction in the land area declared to be in 'exceptional circumstance'. At the end of January 2010 there were 15 349 families receiving EC payments, compared with 19 631 a year earlier.

Productivity Commission inquiry into Government Drought Support

In May 2009, the Australian Government released the final report of the Productivity Commission on drought support arrangements (PC 2009a). The report noted that that EC household relief payments are limited to households in drought-declared areas and ignore hardship experienced elsewhere by many farmers, not only due to drought but for other reasons. The report concluded that existing EC declarations: are inequitable and unnecessary; should not be extended to further areas; and should lapse in currently declared areas as soon as practicable. The report also found that existing interest rate subsidies perversely encourage poor management practices and should be terminated. The report recommended that a form of income support — similar to the Newstart allowance — should be adopted, with arrangements tailored to the different characteristics of farming and with farmers accessing it for a maximum of three in every seven years.

Reforms to the EC regime

Since the release of the Commission's report, the Australian Government has indicated its intention to reform Australia's EC regime to better account for farmers operating in drought and other forms of hardship (Burke 2009a; Burke 2009b; Burke 2009c). The Government also requested the National Rural Advisory Council (NRAC) to review a number of EC-declared regions across Australia and make recommendations on whether to continue drought support in those areas. Through 2009 and 2010 (Burke 2009a; Burke 2009b; Burke 2009c; Burke 2009d; Burke 2009e; Burke 2010a), the Government accepted the NRAC's recommendations to:

- cease declarations for a number of areas throughout New South Wales, Victoria, Queensland, Western Australia and the Northern Territory;
- continue declarations for a number of areas in Queensland and South Australia;

- re-declare some areas in New South Wales, such as the Bega Valley region, after previously being excluded from existing declarations; and
- extend EC assistance to farmers in Queensland's Gulf region who have been severely affected by drought conditions following floods in February 2009.

In September 2009, the Government announced changes to its EC arrangements to allow farmers who transfer their farms to their children to continue to access EC drought support (Burke 2009g). Under previous arrangements, the value of a farmer's land or assets were included in the eligibility test for drought support, even if the land or assets had been transferred up to five years before the test was carried out. Under the new arrangements, farmland and essential farm assets transferred as part of a succession plan are now exempt from the drought income support asset test. The exemption will apply where farmland and assets are considered essential to the running of the enterprise, provided the farmer continues to farm and maintain a right or interest in the farmland.

Wheat marketing

In September 2009, the Australian Government asked the Productivity Commission to inquire into Australia's wheat export marketing arrangements (Burke and Sherry 2009). Matters to be considered by the Commission include: the effectiveness of the arrangements in meeting the objectives of the *Wheat Export Marketing Act 2008,* including the role of Wheat Exports Australia; the suitability of the eligibility criteria for accreditation of exporters; the appropriateness of the access test requirements for accreditation of port operators as exporters; the effectiveness of, and level of competition in, the transport and storage supply chain for wheat; and the availability and transparency of market information.

The Commission is to provide a final report to Government by 1 July 2010.

Community Recovery Package

The Community Recovery Package (CRP) offers recovery grants and support for small businesses, primary producers and local communities where they are severely affected by a natural disaster (DTRS 2007). The Natural Disaster Relief and Recovery Arrangements (NDRRA) provide for shared funding of the CRP Package between the Australian Government and the States. In June 2009, the Australian and Queensland governments announced joint funding under the Package for grants of up to $15 000 each to small businesses and primary producers in Queensland, in response to floods in early 2009 (McClelland and Burke 2009).

Harvesting Productivity Initiative

In July 2009, the Australian Government announced $1.9 million in funding to establish the Harvesting Productivity Initiative (Burke 2009h). The measure aims to identify opportunities for productivity improvements in the grain industry, through research, development and extension areas, to help the industry adjust to a changing climate along with fluctuating input and commodity prices. The Initiative will be undertaken by the Grains Research and Development Corporation (GRDC) and the Australian Bureau of Agricultural and Resource Economics (ABARE) to determine productivity drivers and constraints, and examine research, development and extension areas to encourage long-term productivity growth in the grains industry.

Reforms to Australia's dairy export industry

In 2008-09, Australia exported dairy products worth around $122 million to the United States, including cheese, whole milk powder and butter; and around $52 million to the European Union, including almost 6000 tonnes of cheese.

In October 2009, the Australian Government announced reforms to Australia's dairy export industry intended to reduce red tape, improve the transparency of tariff quota administration and improve market access in the United States and the EU (Burke 2009i). The reforms will focus on the system for allocating the United States and EU dairy tariff rate quotas in accordance with recommendations from the independent 2008 Dairy Quota review panel. Under the new arrangements, tariff rate quotas are set to allow certain amounts of Australian dairy products to be exported into the United States and European Union at reduced or zero tariffs in accordance with the tariff rate quota allocations negotiated under the World Trade Organisation (WTO) and the Australia-United States Free Trade Agreement. The new arrangements include the following changes:

- replacing four sets of quota access rules with a single set of rules;
- introducing an annual application process to give exporters greater flexibility;
- opening the quota application process to new exporters and setting aside a small proportion of the quota for small and new exporters; and
- allocating quota based on three-year rolling averages of export performance — replacing the previous arrangements, which distributed fixed shares of quota based on historical entitlements.

Report on the New South Wales Grain Freight Review

In October 2009, the Australian Government released the final report on the New South Wales Grain Freight Review assessing the recent state of the road and rail infrastructure underpinning the operation of the New South Wales grain industry (Burke 2009j; DITRDLG 2009). The report made 18 recommendations intended to provide the grain industry with future access to reliable, well maintained freight transport infrastructure. A key implication of the Review was that the majority of the grain branch lines be retained and investments made to stabilise the condition of the lines to Class level 5 (or Class 3 if the line has already been upgraded to this level). The New South Wales Government's response will be considered by Infrastructure Australia in the development of the National Port Strategy and the National Freight Network Strategy.

CSIRO Sustainable Agriculture Flagship Initiative

The CSIRO National Research Flagships program commenced in 2003. It consists of large scale research partnerships intended to harness world-class expertise to tackle national priorities. In February 2010, the Australian Government launched a $70 million CSIRO Sustainable Agriculture Flagship Initiative — the 10th such Flagship (Burke and Carr 2010). This research program is intended to raise productivity and reduce carbon emissions intensity across Australia's agricultural and forestry sectors. The initiative will seek to foster collaboration across CSIRO divisional research teams, government, rural R&D corporations and peak agribusiness bodies and companies. It also seeks to expand Australian scientific expertise and encourage the development of new technologies to help provide global food security.

Forest Industries Climate Change Research Fund

In the May 2008 Budget the Australian Government announced it would provide $20 million over three years for the Preparing Australia's Forestry Industry for the Future package (see *Trade & Assistance Review 2007-08,* pp. 70-71). As part of the Package, the Australian Government announced, in August 2009, $5 million to establish the Forest Industries Climate Change Research Fund (Burke 2009k). The Fund offers grants of up to $500 000 each to support innovative forestry research projects focussing on climate change adaptation and mitigation along with the development of sustainable bio-energy initiatives.

Fisheries

Funding to SeaNet

SeaNet is an environmental extension service to Australia's seafood industry, working with the industry to minimise the catch of non-target species (bycatch) and encourage environmental best practice for the industry. In November 2009, the Australian Government announced $2.6 million in new funding to SeaNet to assist the seafood industry with environmental management (Burke 2009l). The announced funding will employ SeaNet extension officers to provide environmental advice to commercial fishers and seafood farmers over four years. The funding intends to improve uptake of sustainable practices across the industry, such as the development and adoption of environmental management systems and codes of practice within fisheries. SeaNet officers also promote the National biofouling management guidelines for commercial fishing vessels, which aim to reduce marine pest invasions in fishing grounds and fishing ports, while also delivering significant cuts in fuel consumption.

Reforms to Australia's fisheries management service

In November 2009, the Australian Government announced reforms intended to improve the efficiency and cost effectiveness of Australia's fisheries management service under the *Fisheries Legislation Amendment Bill 2009* (Burke 2009m). Under these arrangements, the Australian Fisheries Management Authority (AFMA) will introduce an electronic licensing system for Australian Commonwealth Fishers to allow them to access a self-service web portal, known as GOFish, to conduct licensing business online and reduce administrative costs. Under the reform, if a licensing application satisfies pre-programmed rules and criteria, the application will be approved and communicated without the involvement of an Authority officer.

Recreational Fishing Industry Development Strategy

The Australian Government is preparing a Recreational Fishing Industry Development Strategy, including a review of the 1994 National Recreational Fishing Policy. A discussion paper (Recreational Fishing in Australia — 2010 and Beyond) was released in March 2010 (Burke 2010b). As part of the Strategy, the Australian Government will provide $500 000 for a project on scoping and implementing a coordinated national data collection for recreational fishing.

3.3 Water use and irrigation

In the May 2008 Budget, the Australian Government announced details of the 10 year $12.9 billion *Water for the Future* Plan (box 3.1). Over the last year, the Australian Government has announced details on specific elements of the plan, as well as changes in funding and program delivery of some other components.

Box 3.1 **Water for the Future plan**

The main elements of the *Water for the Future* plan are:

- Sustainable Rural Water Use and Infrastructure program — funding of projects that return water to the environment and also provide a long-term future for irrigation communities ($5.8 billion);
- Restoring the Balance in the Basin program — funding to purchase water entitlements from irrigators in the Murray-Darling Basin to be used to increase environmental flows ($3.1 billion);
- National Urban Water and Desalination Plan — funding for projects that use desalination, recycling and stormwater harvesting to improve water supply security in towns and cities of 50 000 people or more ($1 billion); and
- Water Smart Australia program — funding for large-scale projects that increase the development and uptake of new technologies and practices in water use ($1.6 billion).

Other programs under the *Water for the Future* plan include: Driving Reform in the Basin program; Improving Water Information initiative; National Water Security Plan for Cities and Towns; National Rainwater and Greywater initiative; Raising National Water Standards program; Living Murray initiative; Great Artesian Basin plan; and Northern Australia Futures Assessment program. Total funding for these programs amounts to around $1.5 billion (DEWHA 2009a).

Source: PC (2009b).

On-farm Irrigation Efficiency Grants Program

In the May 2009 Budget, the Australian Government announced $300 million in funding to establish an On-farm Irrigation Efficiency Grants Program (Wong 2009a). The program is intended to support farmers to make on-farm investments in water-saving irrigation practices and technology, to improve irrigation efficiency and help irrigation communities adjust to a future with less water. In doing so, it should also enable returns of water to the environment to improvement river health. The program will invite competitive bids from partners such as irrigation water providers, peak industry groups and catchment management authorities to deliver cost-effective tranches of on-farm investment. Funding for the program will be provided under the overarching Sustainable Rural Water Use and Infrastructure program.

Private Irrigation Infrastructure Operators Program

In June 2009, as part of its *Water for the Future* plan, the Australian Government announced a $650 million Private Irrigation Infrastructure Operators Program for New South Wales, within the broader Sustainable Rural Water Use and Infrastructure Program (Wong 2009b). The New South Wales Program offers assistance to private irrigation infrastructure operators in the New South Wales Murray Darling Basin to implement projects that upgrade and modernise their irrigation systems. The program is intended to improve the efficiency and productivity of irrigation agriculture in the Murray Darling Basin, and provide additional water for the stressed rivers and wetlands in the region.

Irrigation Modernisation Planning Assistance Program

As part of the Australian Government's *Water for the Future* plan, the Irrigation Modernisation Planning Assistance Program aims to assist irrigation water providers to develop modernisation plans for their districts, upgrade irrigation infrastructure and assess options to adapt to a future with less water (DEWHA 2009b). By October 2009, 17 irrigation water providers, covering 27 irrigation areas throughout Australia had received funding of nearly $5 million.

In October 2009, the Australian Government announced a further $2 million in funding under the Program (Wong 2009c). Under these arrangements, the funding will provide grants of up to $350 000 each to irrigation water providers in the Murray-Darling Basin intended to help them commission expert advice on how to make their irrigation systems more efficient, and develop plans to upgrade their irrigation infrastructure to get the most out of Australia's scarce water resources.

Irrigation Management Grants Program

The Irrigation Management Grants Program offers grants of up to $20 000 each to Murray Darling Basin irrigators to implement water management strategies to improve on-farm practices with reduced water allocations (DAFF 2009). In May 2009, the Australian Government announced an extension of 6 months to the deadline for irrigators to spend funds already received under the program — from

30 June 2009 to 31 December 2009 (Burke 2009n). The extension applies to the entire program, following approaches by some irrigators affected by the Victorian bushfires and flooding in the northern Murray Darling Basin.

Small Block Irrigators Exit Grants Package

In September 2008, the Australian Government had announced a $57.1 million Small Block Irrigators Exit Grant Package ((DEWHA 2009c). The Package provides non-viable small-scale irrigators in the Murray Darling Basin with a one-off grant of up to $150 000, along with advice and training, to cease irrigated farming and return their water entitlements to rivers and wetlands.

In the May 2009 Budget, the Australian Government announced it would increase the maximum size of holdings eligible for grants under the Package from 15 to 40 hectares, while leaving the deadline for applications unchanged at 30 June 2009 (Wong 2009d; Wong 2009e).

National Partnership Agreement on Water for the Future (Tasmania)

On 11 November 2009, the Australian Government announced $14.8 million in funding to support the development of project plans and business cases for irrigation infrastructure developments across Tasmania (Wong and Llewellyn 2009). The funding includes $4.2 million for the CSIRO Tasmania Sustainable Yields project, which is intended to provide a comprehensive assessment of current and future water yields across the State in light of climate change and development activities.

National Water Market System

In November 2009, the Australian Government announced $56 million in funding to develop a National Water Market System (NWMS) (Wong 2009f). This is intended to achieve a more efficient and nationally-focused water market system by reducing differences in water registers across states and improving the capacity of the systems to inform the market and support interstate water trade.

The proposed National Water Market System is to include an online Common Registry System for implementation in New South Wales, South Australia, Western Australia, Tasmania, the Northern Territory and the Australian Capital Territory, along with upgrades to existing systems in Victoria and Queensland. The upgrades are intended to improve the overall business efficiency of State water registers. In addition, the National Water Market System will incorporate a new national portal and interstate processes to accommodate faster cross-border water trades and reduce transaction costs.

3.4 Manufacturing sector

Australian Government support for the manufacturing sector comprised nearly one-quarter of total budgetary assistance in 2008-09 (chapter 2).

Automotive industry

While assistance to the automotive industry, including both motor vehicle producers and component suppliers, has declined significantly since the mid-1980s, the industry remains one of the most highly assisted within the manufacturing sector. In August 2008, the Government released the final report of a review of the automotive sector (Bracks 2008). The government responded to the recommendations in November 2008 — *A New Car Plan for a Greener Future*. It committed to $6.2 billion in support to the industry between 2009 and 2021. Some recent implementation decisions are described below.

Automotive industry advice and support

In June 2009, the Australian Government announced that it would provide $75 000, to be matched by the Victorian Government, towards a Supplier Assistance Coordinator position —foreshadowed under the new car plan — based with the Federation of Automotive Products Manufacturers (FAPM) (Carr 2009f). The Government also announced the appointment of Stewart Leslie (former Chairman of KPMG's Automotive Industry Focus Group) to the position for 12 months. The program is intended to help local automotive companies access government programs, obtain advice regarding their financial needs and industry assistance and support services, and raise their productivity.

On July 2009, the Minister for Innovation, Industry, Science and Research announced the appointment of two Automotive Industry Envoys to assist the Australian automotive industry, particularly component suppliers, to access global supply chains (Carr 2009g).

Automotive Industry Structural Adjustment Program

The Automotive Industry Structural Adjustment Program (AISAP) provides funding to assist the automotive industry under the Australian Government's New Car Plan for a Greener Future by helping firms with legal, relocation and other merger costs and providing labour market adjustment support. To date, 22 applications have been received; 13 under the exceptional circumstances provisions and 9 under the standard provision. The total amount requested is $142.6 million. Funding of $26.7 million has been agreed for 8 applications.

In June 2009, the Australian Government announced $7 million in new grants to ACL Bearings under the Program (Carr and Campbell 2009). This support was additional to the $2 million provided by the Australian Government and $330 000 by the Tasmanian Government to ACL Bearings in 2007-08 (*Trade & Assistance Review 2007-08*). The new grants were to be conditional upon ACL Bearings making new investments from its own resources and reaching milestones agreed between the Government and various parties to the automotive industry including ACL management, the Federation of Automotive Products Manufacturers, workers and the Australian Manufacturing Workers Union, and senior representatives from Ford and Toyota.

Automotive Supply Chain Development Program

The Automotive Supply Chain Development Program (ASCDP) provides funding to assist the automotive components sector to enhance its capabilities and to better integrate into local and global supply chains. The ASCDP will provide $20 million in grants to 2012-13. In March 2010, the Government announced that $8.9 million in grants had been awarded under the first round of funding for the Program (Carr 2010b).

Green Car Innovation Fund

The Green Car Innovation Fund (GCIF) is part of the Government's *A New Car Plan for a Greener Future*. It is to provide $1.3 billion over ten years, commencing 2009-10, to Australian companies for projects that enhance the research and development and commercialisation of Australian technologies that significantly reduce fuel consumption and/or greenhouse gas emissions of passenger motor vehicles.

In April 2009, the Green Car Innovation Fund (GCIF) opened for applications. Grants made under the GCIF thus far are $35 million for the Toyota hybrid Camry;

$149 million for the Holden small car project and $42 million for Ford Australia's EcoBoost engine to fit the Falcon from 2011.

Automotive Australia 2020 Project

As part of the Australian Government's New Car Plan for a Greener Future, the Automotive Industry Innovation Council (AIIC) was formed in December 2008. The AIIC subsequently endorsed the development of a strategic, long-term industry vision and roadmap and the Cooperative Research Centre for Advanced Automotive Technology (AutoCRC), funded by the Australian and Victorian Governments, commenced working with the Australian automotive industry to develop a technology roadmap to 2020 and beyond.[4] The six-phase *Automotive Australia 2020 Project* is expected to be completed by April 2010 (AutoCRC 2009). In September 2009, the Australian Government announced the release of the report from phase one of the project, *Automotive Australia: 2020 Vision* (Carr and Pakula 2009).

Australian Advanced Manufacturing Research Centre

In November 2009, the Government launched the Australian Advanced Manufacturing Research Centre (AusAMRC) (Carr 2009h). The Centre aims to design and develop new technologies for aerospace and related manufacturing industries to help boost innovation and competitiveness in Australia's manufacturing sector.

Textiles, Clothing and Footwear Innovation Package

In September 2008, the Government released the report of the (Green) review of the TCF industry. The review recommended that Government assistance to the industry should focus on building innovative capability at the level of the enterprise and workplace, rather than on structural adjustment (Green 2008, p. ix). In particular, it recommended that a new TCF Innovation Assistance Package be introduced with a budget of $250 million covering the period 2009 to 2015.

In response to the review, in the May 2009 Budget, the Australian Government announced a $401 million TCF Innovation Package from 2009-10 to 2015-16 (Carr 2009i). The newly announced TCF Innovation Package includes:

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[4] In late 2008 the Victorian Government released its Victorian Automotive Manufacturing Action Plan (VAMAP), a key part of which was an industry capability and technology roadmap.

- a $30 million *TCF Strategic Capability Program* to assist large projects that expand innovation capacity and performance at the enterprise level;
- a *Clothing and Household Textile Building Innovative Capability Program* to assist investment and innovation — based on the TCF Strategic Investment Program — with $25 million in additional funding;
- establishment of a *TCF Industries Innovation Council* to bring together business, unions, researchers and government to promote innovation in the TCF sector and provide strategic advice.
- establishment of a *National TCF Innovation Network* within Enterprise Connect to encourage collaboration between companies and between industry, researchers and educational institutions;[5] and
- retention of the existing *TCF Small Business Program*, to improve business enterprise culture.

In addition, the Government agreed to proceed with the TCF tariff reductions that had already been legislated.

3.5 Small business

In 2008-09, support targeted at small business accounted for about 21 per cent of budgetary industry assistance, and is dominated by capital gains tax concessions (chapter 2).

Small Business Support Line

In the May 2009 Budget, the Australian Government announced $10 million to establish a Small Business Support Line to assist small businesses better manage the impacts of the global recession (Emerson 2009b). The Support Line provides initial advice to small business owners and puts them in touch with specialist advisers on matters such as obtaining finance, cash flow management, retail leasing, diagnostic services, promotion and marketing advice, and personal stress and hardship counselling. Further, the Small Business Credit Complaints Clearing House (SBCCCH) was incorporated as part of this service. The SBCCCH provides an

[5] The Network will be established with the guidance of the TCF Industries Innovation Council and is intended to raise the innovation and competitiveness of TCF firms (Carr 2009i). Eligible TCF businesses will have access to the same services available to Enterprise Connect clients, such as free business reviews and dollar-for-dollar tailored advisory service grants of up to $20 000 to implement business review recommendations.

avenue for small businesses to direct complaints about access to and the cost of bank finance. The Government launched the support line in September 2009 (Emerson 2009c).

A total of $10 million was allocated to the Small Business Support Line over two years, from 2009-10, ending on 30 June 2011. The Small Business Support Line budget has been revised following the allocation of $5 million to the Small Business Online program (below) in December 2009.

Small Business Online Program

In the May 2009 Budget, the Australian Government announced $10 million funding over two years (2009-10 to 2010-11) to establish a Small Business Online Program (Emerson 2009b). The Program offers grants to service providers to deliver training and mentoring services to small and home-based businesses to help them go online, enhance their web presence and engage in e-business capabilities.

The Government launched the Program on 17 August 2009 (Emerson 2009d). In January 2010, the Australian Government transferred $4 million to the program from the Small Business Support Line (above) (Ferguson and Emerson 2010). The transferred funding aims to assist tourism small business operators to provide a virtual online tour of their accommodation services. By March 2010, 47 grants of between $60 000 and $700 000 (totalling $14.3 million) had been awarded (AusIndustry 2010).

Enterprise Connect centres for small and medium-sized enterprises

In the May 2008 Budget, the Australian Government had announced funding of around $250 million over five years for the establishment of eleven Enterprise Connect centres with an aim to provide Australia's small and medium sized enterprises (SMEs) with access to technology, research, and business and management advisory services (see PC 2009b). Subsequently, in November 2008, the Government announced an additional $20 million for a Defence Innovation Centre to be located in Dandenong. All twelve centres have commenced operation.

Extension to eight new regions

In December 2009, the Australian Government (Carr 2009j) announced the extension of Enterprise Connect Innovative Regions Centre operations into eight additional regions:

- New South Wales, with three placements in the Wollongong, Central Coast and Lithgow regions;
- Victoria, with one placement covering the Victorian Central Goldfields;
- Queensland, with two placements in North Brisbane and Central Queensland;
- Western Australia, with one placement covering the Kwinana, Mandurah and Fremantle areas; and
- Tasmania, with one placement covering Northern Tasmania.

Under these arrangements, facilitators will collaborate with State and local governments, business organisations and individual businesses on regional innovation strategies in an effort to help businesses grow. Specific focus will be given to projects that develop partnerships, networks and alliances.

Small Business and General Business Tax Break

The Small Business and General Business Tax Break was announced in December 2008 as part of the *Nation Building Package* response to the global financial crisis and further enhanced in February 2009 as part of the *Nation Building and Jobs Plan* (see *Trade & Assistance Review 2007-08*, p.82). The Tax Break is an investment allowance that provides a tax deduction for investing in new tangible depreciating assets. The size of the Tax Break in percentage terms varies according to the business' turnover as well as when that business invests in the asset and has it ready for use (ATO 2009).

In the May 2009 Budget, the Australian Government announced an increase in the Tax Break from 30 per cent to 50 per cent for small businesses that: have a turnover of less than $2 million a year; acquire assets costing at least $1000 per asset from 13 December 2008 until 31 December 2009; and install those assets or have them ready for use by 31 December 2010 (Emerson and Swan 2009). The Tax Break remained unchanged for all other businesses.

3.6 Government procurement and support for Australian industry participation

Australian governments have a variety of policies and programs aimed at encouraging Australian industry involvement in public and private sector investment projects and procurement tenders.[6] Australian Government programs include the Enhanced Project By-law Scheme, the Supplier Access to Major Projects (SAMP) program and Industry Capability Network Limited (ICNL).

In May 2009, the Australian Government released *Powering Ideas: An Innovation Agenda for the 21st Century* (Australian Government 2009a) in which it announced that it would invigorate existing mechanisms intended to ensure that local suppliers have access to government and private sector tenders in Australia and overseas. In July 2009, the Australian Government further announced $19.1 million in additional funding for the following:

- $8.5 million over four years under the Supplier Access to Major Projects program, to be provided to the Industry Capability Network, which uses procurement experts to link Australian companies to project opportunities in Australia and overseas;
- $8.2 million over four years to appoint business specialists as Supplier Advocates to help small and medium-sized businesses market their products to government buyers and champion sectoral initiatives to improve competitiveness; and
- $2.5 million over four years to establish requirements whereby tenders must include Australian industry participation plans that give local businesses opportunities to secure major Commonwealth contracts and work on Commonwealth-funded infrastructure projects (Carr 2009k).[7]

These measures are intended to better inform Australian businesses of project opportunities, both in Australia and overseas, and better position them to take up those opportunities. In addition, they are intended to encourage project proponents to familiarise themselves with Australian industry capabilities, identify qualified local suppliers, and communicate supply opportunities for major projects and procurements.

6 In recognition that there is potential for inconsistency between jurisdictions, the Australian Industry Participation National Framework (AIP National Framework) was established in 2001 to encourage Australian, State and Territory governments to adopt a consistent national approach to encouraging Australian industry participation in investment projects, both in Australia and overseas (DIISR 2009b).

7 State and Territory Governments have also recently announced or implemented measures intended to increase local industry participation in both public and private sector purchasing decisions. For example, in June 2009, the NSW government announced the Local Jobs First policy, under which state-owned corporations have to give Australian and New Zealand companies an automatic 20 per cent discount compared with overseas suppliers.

Enhanced Project By-law Scheme and Tariff Concession System

In July 2009, the Government announced plans to tighten existing guidelines under the Tariff Concession System (TCS) and Enhanced Project By-law Scheme (EPBS) (Carr 2009k; Carr and O'Connor 2009). The revised guidelines will clarify existing requirements for firms to assess Australian industry capabilities for supplying relevant goods before they apply for tariff concessions.

- The revised TCS guidelines, effective from 29 March 2010, make it clearer that applications should be lodged only after genuine efforts have been made to establish that no Australian manufacturers are able to produce substitutable goods.
- The revised EPBS guideline, effective from 30 April 2010, clarify Australian industry participation requirements and strengthen disciplines around establishing non-availability of equivalent eligible goods from Australian production. The arrangements are intended to encourage greater interaction between major project proponents and Australian businesses early in the project development process.

Public sector procurement

As part of the *Powering Ideas: An Innovation Agenda for the 21st Century* statement the government announced that it would use its role as a significant purchaser of private sector goods and services to encourage innovation in the private sector, while adhering to WTO and other treaty obligations. The statement noted that public agencies (subject to the *Financial Management and Accountability Act)* had reported 69 493 contracts worth $26.3 billion in 2007-08 and that 55 per cent of the contracts (37 per cent of the contract by value) went to smaller firms.

Information technology procurement

As part of the Innovation Agenda, the Australian Government specifically flagged that it is *reassessing* its ICT procurement policies in response to the review of the Australian Government's Use of Information and Communication Technology (Gershon review) with a view to furthering these participation objectives. A report of the review was released in October 2008. In November 2008, the Government endorsed the review recommendations in full and initiated the ICT Reform Program. The Government extended the timeframe for the reduction of ICT contractors within the APS from two to three years to allow for the bulk of the reductions to occur after the development of a strategic ICT workforce plan and whole-of-government ICT career pathway (Department of Finance and Deregulation 2010).

Steel Industry Innovation Council

In July 2009, the Australian Government announced the establishment of a Steel Industry Innovation Council with the intention of improving the steel industry's access to recent Government project investments (Carr 2009l; Carr 2009m). Under these arrangements, the Council will:

- identify priority opportunities for the Steel Supplier Advocate to work with Enterprise Connect and the Industry Capability Network. The Steel Supplier Advocate will strive to: champion Australian industry participation in major projects, forge connections within the steel supply chain and between Australian steel producers and fabricators, and major project proponents, and improve competitiveness and procurement support, particularly for small and medium sized enterprises;
- identify priority opportunities for the Steel Supplier Advocate to work with Enterprise Connect and the Industry Capability Network;
- identify and advise on actions that industry and unions can cooperatively take to support the activity of the Steel Supplier Advocate;
- advise the Government on ways to use programs, such as Enterprise Connect and the Industry Capability Network, to assist the steel industry to become more creative, productive and globally competitive;
- identify mechanisms to improve connections between project proponents and suppliers, including ensuring that project specifications do not discriminate against Australian suppliers; and
- advise on the creation of industry teams to pursue various opportunities.

3.7 Exports

Export Market Development Grants scheme

The Export Market Development Grants (EMDG) scheme reimburses up to 50 per cent of eligible export promotion expenses of small and medium-sized businesses. Since its establishment in 1974, the EMDG scheme has been reviewed 14 times and numerous changes have been made to the eligibility criteria and assistance payments, although the basic construct of partial subsidisation of eligible promotional expenses has remained (*Trade & Assistance Review 2007-08,* p.28). The scheme was most recently evaluated as part of the Mortimer review in 2008 (Mortimer 2008). That review recommended that the EMDG scheme be maintained largely in its current form as a capped program, but that measures should be adopted immediately to resolve funding uncertainty, arising from demand exceeding the funding available. The review recommended that: either the existing ($150.4 million) cap be increased to match demand against current eligibility criteria or eligibility criteria be tightened so as to keep demand for claims within the existing funding cap.

In May 2009, $50 million supplementary funding was provided (from the Minister for Finance Advance) for 2008-09 in order to meet a shortfall in funding for claims relating to the 2007-08 grant year (Crean 2009a). The 2009-10 appropriation is $200.4 million, while the budgeted forward estimates (2010-11 to 2012-13) revert to $150.4 million.

Export Finance and Insurance Corporation

The Export Finance and Insurance Corporation (EFIC) is the Australian Government's export credit agency. It provides finance, finance guarantees, insurance and bonding facilities (Crean 2009c). In September 2009, the Australian Government announced plans to simplify and expand the powers of the Corporation to help it more effectively provide financial support to small and medium sized exporting businesses (Crean 2009c). Under these arrangements, the Government will introduce a new net economic benefit test to allow EFIC to provide assistance under a broader range of circumstances to exporting enterprises with an annual turnover of their corporate group of up to $100 million. The broader test is designed to assist exporters to establish global supply and distribution chains and harness opportunities from a globalising Australian economy.

Australian participation in Papua New Guinea's Liquefied Natural Gas Project

In December 2009, the Australian Government announced a loan of up to $US500 million ($AU547 million) to support Australia's participation in Papua New Guinea's Liquefied Natural Gas (LNG) Project — a world-scale upstream natural gas and liquefied gas development led by the ExxonMobil Corporation (Crean 2009d). In doing so, the Government aims to support project-related contracts for Australian exporters. Under the announced arrangements, the loan will be provided to the project sponsors, which include Australian oil and gas companies — Oil Search Ltd and Santos Ltd — through the Export Finance and Insurance Corporation (EFIC), with $US100 million ($AU109 million) offered on EFIC's commercial account and $US400 million ($AU438 million) on the Commonwealth's National Interest Account.

Australian Quarantine and Inspection Service Export Certification Reform Package

In November 2009, the Australian Government announced a consolidated export certification reform package (ECRP) with Australian Government funding of $127.4 million until mid-2011 (Burke 2009q). It comprises:

- $85.3 million for rebates against export certification fees and charges, mainly to provide a 40 per cent offset of the full cost impact on export industries to 30 June 2011 arising from the decision to return to 100 per cent cost recovery for AQIS export certification fees and charges;
- $16.1 million for reform of the regulatory and export supply chain; and
- $26 million for meat inspection reform.

Overall, the program aims to remove substantial costs from the export supply chain for industry by making the export certification processes more effective and efficient, including through updated information technology (IT) systems, and thereby reduce fees and charges.

3.8 Carbon emissions reduction and energy efficiency

Trade & Assistance Review 2007-08 reported a stocktake of current and prospective Australian, State and Territory government measures intended to reduce carbon emissions. It identified $342 million in Australian Government budgetary outlays in 2007-08 with further significant outlays in prospect. This section reports some Australian Government announcements since that stocktake.

National Energy Efficiency Initiative

In the May 2009 Budget, the Australian Government announced, subject to pre-deployment study, up to $100 million for the National Energy Efficiency Initiative (Garrett, Conroy and Ferguson 2009a). The Initiative — known as Smart Grid, Smart City — is intended to encourage a more efficient energy network and assist Australia's transition to a low carbon economy through the development of a commercial-scale smart grid demonstration project. The project aims to establish an integrated system of renewable energy combined with smart grid and smart meter technology and infrastructure within Australian cities, towns or regions. It is intended that the project will lead to industry investment in smart grid technologies and assist Government and energy and communications sectors to work in partnership to roll out Australia's first commercial-scale smart grid (Garret, Conroy and Ferguson 2009b).

Smart Grid, Smart City pre-deployment study and grant guidelines

In September 2009, the Australian Government released the report, *Smart Grid, Smart City: A new direction for a new energy era* (Garrett, Conroy and Ferguson 2009b). The report suggested that the Smart Grid, Smart City demonstration project can provide the data needed to inform broader adoption of smart grid technologies and applications across Australia (DEWHA 2009d). It also suggested smart grids could deliver gross benefits of at least $5 billion annually. Of these benefits, direct financial savings could amount to $3.4 billion, with improved reliability and reduced greenhouse gas emissions accounting for the remainder.

In October 2009, the Australian Government released final grant guidelines and selection criteria for the demonstration project. Applications were to close 28 January 2010.

Clean Energy Initiative

In the May 2009 Budget, the Australian Government announced it would provide $4.5 billion for a Clean Energy Initiative (CEI) (Garrett, Ferguson, Wong and Carr 2009). The Government intends the CEI to support growth in clean energy generation and new technologies, reduce carbon emissions and stimulate economic activity in the clean energy sector. The CEI comprises:

- the $2 billion Carbon Capture and Storage Flagships Program, to support the demonstration of large industrial scale projects in Australia;
- the $400 million National Low Emissions Coal Initiative (NLECI);
- the $1.5 billion Solar Flagships Program, to support the construction and demonstration of large-scale grid connected solar power stations;[8]
- $100 million funding to the Australian Solar Institute to foster collaborative research; and
- establishment of the Australian Centre for Renewable Energy (ACRE).[9]

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[8] $400 million comes from the Education Investment Fund (EIF) for the creation of research infrastructure for successful CCS and Solar Flagships projects.

In October 2009 the commencement of ACRE was announced. (Swan and Ferguson 2009). ACRE manages funding of more than $560 million drawn together from previous programs plus $150 million for new measures.[10] Under the announced arrangements, ACRE will initially make funding recommendations to the Government on the most promising solar applications received under the original Renewable Energy Demonstration Program guidelines. ACRE will also develop and implement a funding strategy, including a venture capital mechanism.

Clean Energy Trade and Investment Strategy

In the May 2009 Budget, the Australian Government announced $14.9 million in funding over three years to establish the Clean Energy Trade and Investment Strategy (Crean 2009e). The Strategy aims to: attract productive investment into Australia's clean energy sector; assist Australian clean energy companies to access international markets through export and investment; and connect Australia's clean energy and technology sector to emerging commercial opportunities. Technologies to be supported by the Strategy include renewable energy (solar, wind, geothermal, marine, bio-energy and bio-fuels), carbon capture and storage, energy efficiency, water technologies, sustainable urban design, and waste management.

Green Precincts Fund

In the May 2009 Budget, the Australian Government announced the establishment of the Green Precincts Fund, with $15 million in new funding to be provided over four years (DEWHA 2009e). The Fund supports project initiatives encouraging water and energy savings measures at the community level. The Government has recently announced a number of projects to receive assistance under the Fund (table 3.1). These projects aim to foster technological advancements, along with efficiency improvements, in the generation and use of energy and water, to reduce greenhouse gas emissions (see Wong and Garrett 2009a; Wong and Garrett 2009b; Wong and Garrett 2009c; Wong and Garrett 2009d; Wong and Garrett 2009e; Wong, Garrett and Campbell 2009; Garrett, Wong and McMullan 2009).

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[9] The Budget announcement used the name 'Renewables Australia' with funding of $465 million, including $100 million new funding.

[10] Programs targeted at commercializing renewable energy amalgamated into the new body include: Renewable Energy Demonstration Program ($235 million in announced grants); Geothermal Drilling Program ($50 million); Advanced Electricity Storage Technologies Program ($20 million); Renewable Energy Equity Fund ($18 million); Second Generation Biofuels Research and Development Program ($15 million); and Wind Energy Forecasting Capability Program ($14 million).

Table 3.1 **Green Precincts funding by project**

Organisation	*Project*	*Funding amount*
Australian National University	Education Precincts for the Future	$1 032 980
Launceston City Council	Greening Inveresk Precinct — Towards Water and Energy Sustainability	$788 000
Blue Mountains City Council	Blue Mountains Sustainable Precinct	$1 500 000
Sydney Harbour Federation Trust	Sydney Harbour Green Precincts Project	$861 500
Wide Bay Water Corporation	An Island is not an Island — A Green Precinct in the Great Barrier Reef	$1 290 000
Shire of Peppermint Grove	The Grove Library project	$1 500 000
Bendigo Regional Institute of TAFE	Charleston Road Campus Redevelopment	$724 289
City of Onkaparinga	Woodcroft Green Precinct — Combined Library and Neighbourhood Centre Demonstration Site	$750 000
Manningham City Council	Doncaster Hill Green Civic Precinct	$1 500 000
CERES Community Environment Park	Zero Emissions by 2012	$1 150 011
Sydney Theatre Company	Greening the Wharf	$1 200 000
Essendon Football Club	Windy Hill Green Precincts Project	$1 500 000
Clean Energy for Eternity	Bega Valley Solar Farm Feasibility Study	$100 000

Source: DEWHA (2009e).

National Strategy on Energy Efficiency

In July 2009, the Council of Australian Governments (COAG) agreed to a National Strategy on Energy Efficiency (Rudd and Garrett 2009). The Strategy aims to develop a nationally consistent approach to energy efficiency policy, reducing red tape and helping businesses and households invest in modern cost-cutting technologies. In doing so, the Government intends the Strategy to help Australian businesses and households reduce their energy and fuel expenses along with carbon emissions. The Strategy involves:

- phasing out inefficient electric hot water systems, beginning in 2010;
- legislation for appliance energy ratings and labels;
- mandating all new homes to achieve energy rating standards from 2011 (from 2010 for commercial buildings); and
- accelerating the phasing out of inefficient lighting, starting with a ban on incandescent light globes from November 2009.

Renewable Energy Target

In August 2009, the Australian Government made a number of announcements regarding its proposed Renewable Energy Target (RET) with implications for assistance to industry:

- Interim industry assistance arrangements under the RET, effective from 1 January 2010 if the Government's proposed Carbon Pollution Reduction Scheme (CPRS) had not by then passed the Senate (Wong 2009g). Under these conditions, the Government will provide assistance to emissions intensive trade exposed activities in the renewable energy sector exceeding an electricity intensity threshold of 3000 megawatt hours (MWh) per $1 million of revenue (or 9 000 megawatt-hours per $1 million value added) from commencement of the RET on 1 January 2010 until the CPRS passes the Senate.
- An increase in the annual targets under the RET to include waste coal mine gas, enabling the sector to generate Renewable Energy Certificates from 2011 to 2020 inclusive (Wong and Combet 2009). The Government intends that the increased annual targets will ensure waste coal mine gas does not displace renewable energy generation under the RET.

Insulation Worker Adjustment Package

In February 2010, the Australian Government announced a $41.2 million Insulation Worker Adjustment Package to assist workers and firms in transition following the cancellation of the Home Insulation Program (Rudd 2010). The Government intends to fund the package through an allocation of $11.5 million from the existing Jobs Fund and $29.7 million from the Productivity Places program and other existing training programs. Under these arrangements, displaced workers will receive either: support to retain their current job until the Renewable Energy Bonus Program begins; assistance to find alternative jobs; or a relevant training place where appropriate employment opportunities are not available. The announced package includes:

- A $10 million Insulation Workers Adjustment Fund to support workers and firms through the transition period. The Fund is intended to support firms to retain their workforces in work or training activities or to support workers directly.
- $1.5 million for up to 25 dedicated Insulation Employment Coordinators. These new positions are intended to help displaced insulation workers find alternative jobs with other employers and other industries.

- $5 million for 1000 Structural Adjustment Places to help retrain insulation workers in alternative industries.
- $24.7 million for 6000 training places previously announced to assist insulation workers — 2000 each from the Apprenticeship Access places; the Language Literacy and Numeracy Program; and the Structural Adjustment Places.

3.9 Infrastructure provision and regional development

Trade & Assistance Review 2007-08 reported significant new commitments by the Australian Government for the provision of infrastructure in response to the economic downturn associated with the global financial crisis. The provision of infrastructure has significant regional development implications. Such infrastructure funding (and supporting regulatory arrangements) may have positive (or negative) industry assistance effects depending on, among other things, funding, taxation treatment, risk sharing, access and user charging.

In the May 2009 Budget, the Government announced around $22 billion to fund new infrastructure across Australia, including in transport, energy, broadband, universities and health care. Box 3.2 lists major infrastructure projects with Australian Government involvement that has potential implications for industry assistance. Box 3.3 lists developments potentially affecting the operating environment of infrastructure service providers and returns to infrastructure service provision.

North West and Northern Tasmania Investment and Innovation Fund

In December 2009, the Australian and Tasmanian Governments announced that they would establish a $20 million package, consisting of a $17 million North West and Northern Tasmania Investment and Innovation Fund (NWNTIIF) and a $3 million Regional Assistance Program — Tasmania (RAP-Tas) (Carr and Bartlett 2009). Under these arrangements, the Australian Government will contribute $12.5 million, to be supplemented by $7.5 million from the Tasmanian Government. The announcement responds to the decision by Tasmanian Paper mills owner, PaperlinX Ltd, to close its Wesley Vale mill and parts of its Burnie mill by March 2010. The package offers grants for business investment initiatives to stimulate and diversify industry, innovation and investment in the North West and Northern Tasmania region, with a particular focus on new innovations and technology, and emerging industries. In April 2010, 36 successful projects were announced (Carr, Rudd and Bartlett 2010).

Box 3.2 **Major infrastructure projects involving budgetary outlays**

Major infrastructure projects involving Australian Government budgetary outlays are listed below. Where the programs lead to budgetary support to industry, the measures would typically be included in the Commission's annual estimates of assistance in the year in which the outlay occurs. Measures involving the government provision of services with indirect implications for returns to industry and industry assistance are typically not included in the Commission's estimates of assistance.

Nation Building Plan

In the May 2009 Budget, the Australian Government announced several infrastructure projects to be funded under the Nation Building Plan (Rudd 2008), including $3.2 billion for a Regional Rail Express line for metropolitan Melbourne (Rudd 2009b); $1.45 billion towards development of a new Hunter Expressway (Rudd 2009a); $488 million towards an upgrade and realignment of the Bruce Highway (Rudd 2009c); $365 million towards a Gold Coast light rail line in Broadbeach, Queensland (Swan 2009a); $339 million towards common user infrastructure for the Oakajee deep sea port (Rudd 2009d); $50 million towards development of new berthing capacity and ship loading facilities for the Darwin Port (Swan 2009b); $16.15 million under the Education Investment Fund (EIF) for new training facilities at Central Gippsland Institute of TAFE (GippsTAFE) to help train workers to build the National Broadband Network (Rudd 2009e).

East Kimberley Development Package

In July 2009, the Australian Government announced $195 million in new funding under the Package, The package is intended to support development of the East Kimberley region, providing social infrastructure in areas including health, education, community facilities, housing and transport (Rudd 2009f). The Commonwealth funding complements funding of $220 million by the Western Australian Government's to support the expansion of the Ord irrigation area.

Digital Regions Initiative

In the May 2009 Budget, the Australian Government announced an additional $14 million in funding under the Initiative, increasing total program funding to $60 million (Conroy 2009a). The Initiative will co-fund digital-enablement projects with State and Local governments to help develop broadband and digital technologies, and their use in the delivery of education, health and emergency services in regional, rural and remote communities (DBCDE 2009a). The Initiative ends in 2013.

Water pipeline extensions to Point Sturt and Hindmarsh Island

In October 2009, the Australian and South Australian governments announced up to $7.34 million in joint funding for the construction of two potable water pipeline extensions to Point Sturt and Hindmarsh Island as part of the South Australian Government's Murray Futures Program (Wong 2009h). The Australian Government will contribute $6.61 million.

Box 3.3 **Major regulatory development with implications for infrastructure service provision**

The Australian Government has announced a number of developments in the regulation of key infrastructure activities that will potentially affect the operating environment of infrastructure service providers and returns to infrastructure service provision.

National Ports Strategy

In May 2009, the Australian Government announced plans to develop a National Ports Strategy (NPS) during 2010 for consideration by the Council of Australian Governments (COAG) (Rudd 2009d). Under these arrangements, the national advisory council, Infrastructure Australia, will work with the National Transport Commission to develop the Strategy. The Government intends the Strategy to encourage a nationally coordinated approach to the development and planning of Australia's port and freight infrastructure, covering both the bulk commodity ports and container ports.

Reforms to Australia's telecommunications regulations

In April 2009, the Australian Government released a Regulatory Reform discussion paper, the *National Broadband Network: Regulatory Reform for 21st Century Broadband* (Australian Government 2009b; Rudd, Swan, Tanner and Conroy 2009). In September 2009, after receiving submissions on the discussion paper, it announced plans to reform Australia's existing telecommunications regulations (Conroy 2009b). The announced reforms are intended to promote competition and strengthen consumer safeguards in the telecommunications sector, including by: encouraging Telstra to structurally separate on a voluntary and cooperative basis; streamlining, simplifying and improving the competition regime, strengthening consumer safeguards through the Universal Services Obligation, Customer Service Guarantee and Priority Assistance arrangements, to ensure consumers are protected and service standards are maintained at a high level; and removing redundant and inefficient regulatory red tape with a view to reducing the regulatory burden on the industry.

3.10 Other developments

Offshore petroleum exploration incentive

The Designated Frontier Area (DFA) incentive, introduced in 2004, provided a 150 per cent upfront tax deduction for expenditure on offshore petroleum exploration in prescribed remote locations, known as designated offshore frontier areas (DFAs). In doing so, it aimed to reduce the cost of petroleum exploration in Australia's remote offshore areas to stimulate exploration activity and increase the chances of discovering new oil petroleum provinces.

In the May 2009 Budget, the Australian Government announced a one-year extension to the DFA incentive (Ferguson and Bowen 2009). The extension enabled the incentive to apply to six areas in the 2009 annual offshore petroleum acreage release (Ferguson 2009a). In its response to the *Australia's Future Tax System Review,* the Government announced the Resource Exploration Rebate (RER), which will provide a refundable tax offset at the company tax rate for eligible exploration expenses. Whilst the DFA incentive had limited application, the RER will be applicable to all qualifying exploration undertaken in offshore petroleum exploration permits in Australian waters from 1 July 2011.

Tourism

TQUAL Grants Program

In April 2009, the Australian Government announced up to $8.5 million in new funding to establish the TQUAL Grants Program, replacing the Australian Tourism Development Program (Ferguson 2009b). Through competitive grants, the Program aims to support projects that: develop innovative products, services or systems within the tourism industry; contribute directly to long-term economic development within Australia; and develop or support high quality visitor services and experiences.

Under the Program: innovative tourism projects will be eligible for grants from $5000 to $100 000; national or sectoral tourism initiatives will be eligible for grants from $25 000 to $500 000; and integrated tourism development projects will be eligible for grants from $100 000 to $500 000. In December 2009, the Australian Government announced 70 projects approved for funding, totalling $8.3 million (Ferguson 2009c).

Funding to Tourism Australia

Tourism Australia receives an annual appropriation from the Australian Government of about $136 million (chapter 2). In October 2009, the Government announced that $9 million in funding will be brought forward in to the 2009-10 year from the previously budgeted 2010-11 appropriation (Ferguson 2009d). The revised funding aims to promote domestic business travel and stimulate travel from overseas locations within ten hours of flying time, including China, Japan, Malaysia, Singapore, New Zealand and the Middle East.

National Long-Term Tourism Strategy

In December 2009, the Australian Government announced a *National Long-Term Tourism Strategy* (Ferguson 2009c). The Strategy aims to promote innovation, infrastructure development and growth in the industry, and improve industry capacity to meet demand and expectations created through marketing campaigns. The plan includes measures to promote better research for the industry and to Minister's Council committed $2.2 million for 41 measures to fund the implementation of the Strategy over the following 18 months. remove regulatory barriers to investment in tourism. In April 2010, the Tourism Ministers also agreed to the establishment of the Tourism Quality Council, to be responsible for implementing Australia's first National Tourism Accreditation Framework which is intended to provide consumers with increased confidence through promoting businesses adhering to a quality standard.

Supply and marketing of books

Restrictions on the parallel importation of books

In July 2009, the Australian Government released the Productivity Commission report on the parallel importation of books (PC 2009c). The Commission recommended that Australia's Parallel Import Restrictions (PIRs) for books be repealed, with industry being given three years' notice before the repeals are enforced. In addition, the report found PIRs to be a poor means of promoting books with significant cultural value and recommended that the Government should review existing subsidies, aimed at encouraging Australian writing and publishing, with a view to better targeting significant cultural works. The report also recommended that any revised subsidy arrangements should be put in place before the repeal of the PIRs takes effect.

In November 2009, the Australian Government announced it would leave the Australian regulatory regime for books unchanged (Emerson 2009e).

Book Industry Strategy Group

In February 2010, the Australian Government announced a new Book Industry Strategy Group to assist Australia's book industry (Carr 2010c). The Group comprises representatives from across the industry, including book printers, publishers, distributors and retailers. The Group will develop strategies to facilitate supply chain integration and develop business models for the digital age. The Group will be able to obtain support from the Australian Government's existing Enterprise Connect Initiative and other programs currently in place to assist business transformation. The Book Industry Strategy Group will operate according to the terms of reference, agreed by the Minister on 9 April 2010, and is expected to report back to the Government within 12 months of its launch (Carr 2010d).

Broadcasting

Free-to-air television anti-siphoning scheme

Australia's anti-siphoning scheme was established in 1994, in response to the emergence of pay television, to provide free broadcast rights to free-to-air television for certain events deemed to be of national importance or cultural significance (DBCDE 2009b). While the scheme is not limited to sporting events, to date non-sporting events have not been listed under the scheme.

The anti-siphoning scheme secures free-to-air broadcasters first priority to show events on the anti-siphoning list. It also prohibits broadcasters from showing a listed event on their multi-channels unless the event is simultaneously shown, or has been shown, on their main channels. The current scheme does not extend the anti-siphoning list to new media platforms such as the internet and mobile phones.

In August 2009, the Australian Government released a discussion paper — *Sport on Television: A review of the anti-siphoning scheme in the contemporary digital environment* (Conroy 2009c; DBCDE 2009b). Conclusion of the review was notified in January 2010 (DBCDE 2010).

In its research report — *Annual Review of Regulatory Burdens on Business: Social and Economic Infrastructure Services* — released in September 2009, the Productivity Commission found that the anti-siphoning scheme imposed regulatory burdens due to the protracted commercial negotiations required for the listing of events, and that this burden should be reduced by substantially reducing the anti-siphoning list (PC 2009d).

Licence fee rebates to commercial television broadcasters

In February 2010, the Australian Government announced it would provide licence fee rebates to Australian commercial television broadcasters in 2010 and 2011 (Conroy 2010). Under these arrangements, licence fee rebates will be 33 per cent in 2010 and 50 per cent in 2011. The rebates are intended to assist commercial broadcasters to invest in new Australian content and maintain Australian content production. The rebate takes account of the costs of licence fees in other countries such as the United States, the United Kingdom and Canada, and implications for commercial broadcasters of new technologies and commercial pressures, including the switch to digital television.

Foreign investment in Australia

In August 2009, the Australian Government announced plans to reform Australia's foreign investment framework (Swan 2009c). These reforms aim to reduce unnecessary compliance costs on foreign investors and rationalise existing fixed foreign investment screening thresholds, to lower barriers to overseas investors seeking to establish businesses in Australia. Under the announced arrangements, the Government will:

- replace the four lowest thresholds for private business investment with the highest of these to establish a single threshold of 15 per cent in a business worth $219 million or more. This will enable private foreign investment in Australian businesses below $219 million to proceed without review;
- index the new single threshold on 1 January each year to keep pace with inflation and prevent foreign investment screening from becoming more restrictive over time; and
- abolish the existing requirement that private investors must notify the Government when establishing a new business in Australia valued above $10 million.

Anti-dumping and countervailing measures

In March 2009, the Australian Government requested the Productivity Commission to undertake an inquiry into Australia's anti-dumping and countervailing system. This announcement followed an earlier COAG agreement that the Commonwealth would request the Commission to undertake a review of Australia's anti-dumping system (Bowen 2009a). The terms of reference for the inquiry require the Commission to assess the policy rationale for, and objectives of, Australia's anti-dumping and countervailing system, and to assess the effectiveness of the current system in achieving those objectives. The Commission's final report was provided to Government in December 2009.

Information on the number and nature of recent anti-dumping and countervailing cases in Australia is presented in appendix B.

3.11 Summing up

Since May 2009, the Australian Government has announced many budgetary and regulatory measures relating to industry assistance, across a wide range of activities.

This chapter identified proposals for budgetary *outlays* totalling about $6.2 billion, most of which is planned to be expended over the next five years.

- Around $1.5 billion (of the $6.2 billion) relates to 'traditional' forms of Australian Government support to primary, manufacturing and service industries, exports, research and development and innovation.
- The remaining $4.6 billion relates to carbon emission reduction and energy efficiency programs.

The Government also announced proposals for tax concessions and rebates such as the R&D taxation concessions, the offshore petroleum exploration incentive and the license fee rebate on commercial television broadcasters. While ex-ante estimates for the proposed tax concessions are less reliable than for budgetary outlays as they depend on usage (tax claims), where quantitative information comes available on the value of concessions granted, these will be included, as appropriate, in future editions of *Trade & Assistance Review*.

In addition to budgetary measures, industry assistance is conferred through regulatory arrangements. During the year, the Government announced it would maintain the Australian regulatory regime restricting the parallel importation of books to the Australian market.

Another area of government activity that may have implications for industry assistance is infrastructure provision. The 2007-08 *Review* noted proposed new outlays in support of the provision of infrastructure and regional development, including through the Building Australia Fund and Regional and Local Community Infrastructure program. In this *Review*, identified announcements relating to infrastructure involve about $22 billion. As indicated in the previous *Review*, these projected commitments will have a range of impacts on industry, some of which could confer assistance either to recipients or user industries. The level of assistance and its incidence, however, is often difficult to determine and would depend on factors such as: the level of government contributions and the risks transferred to the private sector; user charges relative to the costs of service provision; and the public good nature of the infrastructure.

4 Measures affecting the finance sector

The structure and performance of the Australian finance sector (box 4.1) has long been shaped by a variety of government policy measures. Previous editions of *Trade & Assistance Review* have reported on some budgetary measures pertaining to the finance sector. Most recently, the 2007-08 *Review* reported the finance measures announced in response to the global financial crisis and economic downturn.

This chapter brings together the various budgetary measures relating to the finance sector and reports on the implementation and usage of support measures introduced during the financial crisis. It also notes key prudential and other financial services regulation applying to the sector. The aim is to provide a more comprehensive and contemporary view of government policy measures affecting the sector.

Some of the policy measures listed (such as superannuation support) are not aimed at helping the financial institutions directly but, as a result of second-round impacts of broader economic and social policies, can have significant implications for the demand for financial products and differential effects within the sector itself.

Inclusion of a policy measure in this chapter as affording assistance, or having assistance implications, does not mean it is unwarranted or inappropriate. As noted in chapter one, industry assistance measures can deliver net community benefits, particularly where targeted at recognised market failures or at achieving recognised social or equity goals. The primary purpose of listing, and where possible quantifying, them is to highlight the measures that shape the finance sector and to draw attention to some of the budgetary and other costs that need to be considered when assessing the community-wide impacts of the policy measures. In this respect, it is important to ensure that the costs of concessions and other policies are at least commensurate with the benefits they are intended to deliver.

Box 4.1 **Overview of the Australian finance sector**

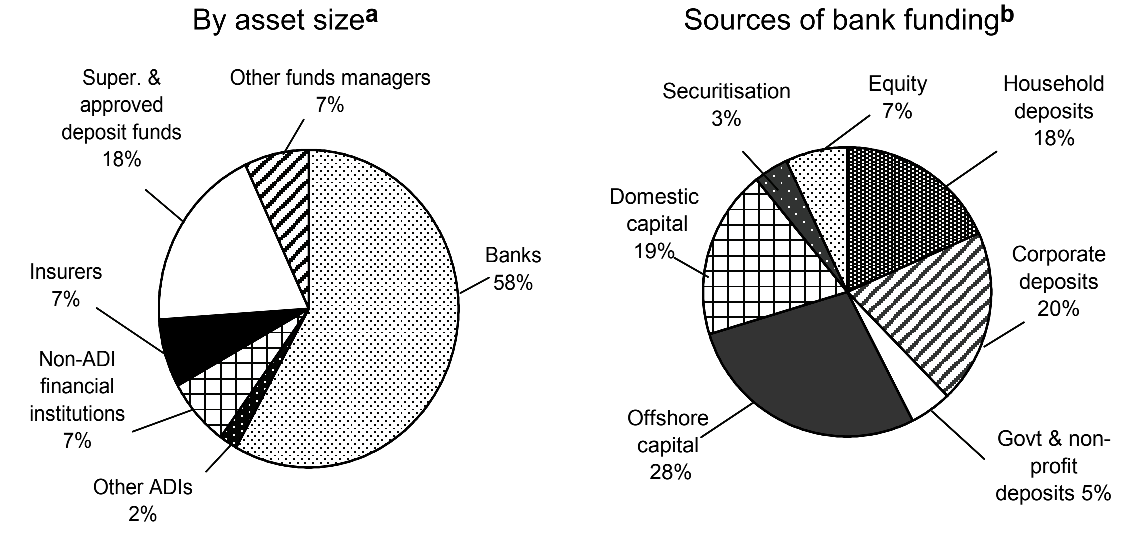
Australian financial institutions comprise authorised deposit taking institutions (ADIs) (including banks, credit unions and building societies), non-deposit taking institutions (including investment banks, finance companies and securitisers), and insurance and fund managers (such as life and general insurance funds, superannuation funds, cash management trusts and friendly societies). The sector is covered by *Finance and insurance* (Division K) in the Australian and New Zealand Standard Industrial Classification (ANZSIC).

The combined finance and insurance industries account for around 10 per cent of Australia's GDP and employ about 418 500 persons (nearly 4 per cent of total employment) (ABS 2010).

Banks (excluding the Reserve Bank) accounted for around 60 per cent of the total assets of these industries, reflecting their relative size and central financial intermediation role in the Australian economy (box figure, left panel). Superannuation and approved deposit funds accounted for nearly 20 per cent of assets.

Nearly half of Australian bank funding comes from wholesale borrowings in domestic and offshore capital markets (right hand panel). In addition, banks source over 40 per cent of funds from deposits by households, businesses and government and other organisations. The share from deposits has risen about 5 percentage points since mid-2007 (Battelino 2009).

Composition of the finance sector and bank funding



[a] Estimated at December 2009. [b] Estimated at September 2009.

Source: RBA (2010b); Battelino (2009).

4.1 Identifying measures affecting the finance sector

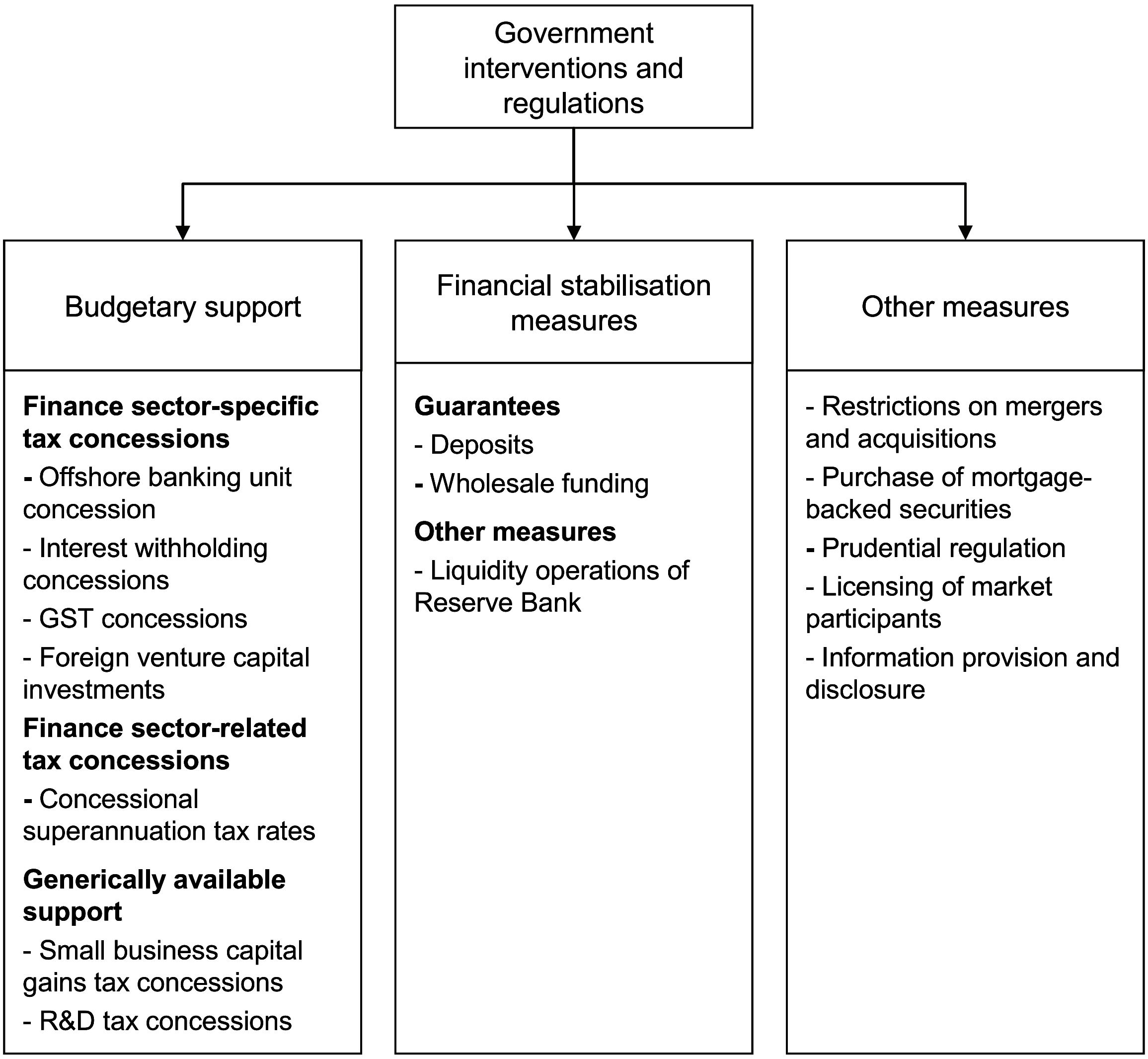
There is a wide range of government policies and regulations that affect financial intermediaries, and some have assistance implications (figure 4.1). Prior to the global financial crisis, budgetary measures affording assistance to the sector were largely in the form of tax concessions. Some of this support is specific to the finance sector (such as the offshore banking unit concession), while other budgetary measures are generally available across industries (such as small business tax concessions). In addition to concessions that accrue directly to financial institutions, the sector also benefits from finance-related concessions such as compulsory superannuation which, at a macro level, guarantees a flow of funds to eligible intermediaries.

In response to the financial crisis, the Australian Government implemented a guarantee on the deposits and wholesale debt funding of banks, and directly purchased residential mortgage backed securities. In addition, the Reserve Bank of Australia expanded its liquidity operations, with the intent of maintaining liquidity and stability in the financial system.

Regulations also strongly influence the shape of the finance sector. Much of the regulation is aimed at promoting financial stability and consumer protection. The Australian Prudential Regulatory Authority (APRA) is responsible for enforcing capital adequacy and other prudential requirements and the Australian Securities and Investments Commission (ASIC) enforces information disclosure, licensing and other conduct-of-business regulations. Other sectors of the economy similarly have sector-specific regulations. While such regulations are intended to yield community-wide benefits, they may also constrain the activities of business and raise compliance and administrative costs. The Australian Government also restricts mergers or acquisitions between the four major banks under the Four Pillars Policy to support competition in the domestic market.

The Commission has traditionally measured the level of assistance to industries by comparing a sector's returns with the returns that the sector would have received in the absence of the assistance. In measuring assistance, ideally, all government measures that selectively benefit financial institutions and activities they undertake, should be quantified.

Figure 4.1 **Government arrangements affecting the finance sector**



However, there are a number of difficulties in quantifying the assistance implications of many of the policy measures.

- *Determining the assistance implications of broader social and economic policies*. Many measures that have an impact on the finance sector are primarily intended to enhance social welfare, achieve stability in the sector or meet other economic management objectives, creating difficulties in attributing any benefit of a measure to a specific activity or industry. For example, mandating superannuation contributions and providing tax concessions for superannuation, while intended to influence saving behaviour and retirement incomes, benefits superannuation savings instruments and also results in preferment for the superannuation fund service providers over providers of other financial products.

- *The contingent nature of some measures*. Guarantees of deposits and wholesale lending provide benefits to both parties to the transaction — depositors and lenders as well as eligible financial intermediaries. The value of assistance conferred depends on the probability that the guarantee would be called upon and other costs, being fully reflected in the guarantee fee. As a guarantee may not be called upon for a number of years after its issue, if at all, assessing the level of assistance conferred by a guarantee arrangement is problematic.
- *Determining an assistance benchmark for tax concessions*. The standard approach for measuring tax expenditures is the 'revenue forgone method'. The Treasury uses this in its estimates, and it is the Treasury estimates that the Commission has used in this chapter. Under the revenue forgone method, assistance is estimated as if normal tax rates applied to prevailing (ie assisted) levels of activity and income. The Treasury's estimates, therefore, do not measure the additional activity that might be generated by the concession or the net impact of the measure on taxation revenue. For example, concessional tax rates intended to attract offshore banking activities may generate new activity that would not occur under normal taxation arrangements. The notional revenue foregone estimate does not measure the *net* impacts on financial institutions or costs to community of this concession.

These difficulties have meant that a number of long-standing policies (which provide at least some benefit to the finance sector, or to parts of it) are outside the scope of the Commission's quantified assistance estimates (chapter 2). Nevertheless, Australian Government budgetary measures that directly benefit financial intermediaries and that are quantified are included in the Commission's estimates. Section 4.2 of this chapter reports budgetary and other support measures that directly benefit the finance sector, as well as measures that incidentally benefit the sector. Section 4.3 reports on stabilisation and regulatory frameworks affecting the sector, including measures introduced in response to the financial crisis, while section 4.4 then assesses some of the implications of finance measures. This chapter does not report on measures assisting insurance activities in the broader ANZSIC division Finance and insurance.

4.2 Australian Government budgetary support

Budgetary support provided directly to the finance sector is largely in the form of tax concessions (or tax expenditures). The Treasury reports on estimates of tax expenditures in its annual *Tax Expenditures Statement* (TES). As noted, the estimates are prepared in accordance with the revenue forgone method — the estimated difference between actual taxation receipts and what would have been received had non-concessionary tax rates applied at that level of activity, with all other things also remaining unchanged (box 4.2).

Box 4.2 **Estimating tax concessions**

Tax expenditures estimates are prepared using the *revenue forgone* method. Under this method, the concession is estimated as the difference between the level of tax receipts if non-concessional benchmark taxation arrangements applied and the revenue collected under the concessional arrangement. The estimated tax under the normal arrangement is known as the *benchmark*. Separate benchmarks are developed for the different components of the tax system, including superannuation.

The revenue forgone estimates are static in nature, that is, they do not estimate the potential impact of the concessions on the tax base or government revenues more broadly. Nor are the estimates a measure of what it would cost in budget outlays to deliver benefits equivalent to those provided by the tax concessions.

Alternatives to the 'revenue forgone' method

The two main alternatives to the revenue forgone method which take into account the potential impact of the method on the taxation base and budgetary costs are the *revenue gain* and *outlay equivalence* methods.

The revenue gain method assesses how much net revenue could increase if a particular concession was withdrawn. Meaningful estimation of this opportunity cost are difficult and requires estimates of the economy-wide behavioural effects associated with such a change.

The outlay equivalence method assesses how much direct expenditure would be needed to provide an equivalent benefit and requires determining a meaningful alternative measure of assistance, in the hands of the recipient. Such alternative estimates are beyond the scope of this study.

Source: Australian Government (2010a)

Finance-specific taxation concessions

Specific finance sector tax concessions (other than those relating to superannuation and other concessions that indirectly affect the sector) are estimated at over $330 million for 2008-09 (table 4.1).

Table 4.1 **Finance-specific tax concessions, 2005-06 to 2008-09**

Tax expenditure item (TES code)	*2005-06*	*2006-07*	*2007-08*	*2008-09*
	$m	$m	$m	$m
Quantified measures				
Business taxation				
Exemption for certain payments made out of the National Guarantee Fund (B1)	nil	nil	nil	nil
Concessional tax treatment of offshore banking units (B7)	90	160	320	305
Unfranked dividends paid to foreign shareholders by Pooled Development Funds (B17)	0	1	2	3
Capital gains tax concession for carried interests paid to venture capital managers (B53)	9	10	10	11
Concessional treatment for Pooled Development Funds (B56 & B59)[a]	7	9	12	11
Exemption for early stage venture capital limited partnerships (B58)	nil	nil	nil	1
Total of quantified measures	**106**	**180**	**344**	**331**
Non-quantified measures[b]				
Business taxation (indicative range)[c]				
Interest withholding tax concession on interest payments by Australian branches to foreign banks (B15)	100-1 000	100-1 000	100-1 000	100-1 000
Concessions resulting from the clarification of the debt or equity treatment of perpetual subordinated debt (issued by financial institutions) (B57)	10-100	10-100	10-100	10-100
Income tax exemptions for foreign superannuation funds (B63)	0-10	0-10	0-10	0-10
Concessional tax treatment for foreign authorised deposit-taking institutions (B6)	10-100	10-100	-	-
Capital Gains Tax (indicative range)				
Capital gains tax rollover relief for financial service providers on transition to the Financial Services Reform regime (E19)[d]	10-100	10-100	10-100	0 to -10
Capital gains tax rollover relief for superannuation entities on transition to the new superannuation safety arrangements (E22)	10-100	10-100	10-100	10-100

[a] Program closed to new registrations June 2007. [b] The Treasury's indicative range applies to the year the tax expenditure is considered to be the most significant. Other years may be smaller in value. [c] The value of four other concessions was estimated at approximately zero. The concessions are: Concessions resulting from the clarification of the debt or equity treatment of perpetual subordinated debt (issue by financial institutions) (B57); Tax exemption for small credit unions (B62); Capital gains tax relief for the demutualisation of friendly societies (B96); and International tax — a final withholding tax on certain distributions of Australian managed investment trusts to foreign residents (B97). [d] The indicative range value for 2005-06 to 2007-08 is taken from TES 2008 when the measure was positive. The 2008-09 value is taken from TES 2009 when it became negative (that is when it was a tax deferral).

Source: Australian Government (2010a).

Of the measures that are quantified, the concessional tax treatment to offshore banking units (OBUs) afforded the largest level of support, amounting to over $300 million in 2008-09. An OBU is a financial institution undertaking financial transactions for overseas institutions or residents. The intent of the concessional tax treatment of OBUs is to encourage what would otherwise be foreign denominated financial transactions between non-residents to be routed via an Australian bank or similar institution. Under the present OBU tax concession, income, other than capital gains, derived by an OBU is taxed at a concessional rate of 10 per cent. Also, interest paid by an OBU on qualifying offshore borrowings, and gold fees paid by an OBU on certain offshore gold borrowings, are exempt from withholding tax. The estimated taxation expenditures associated with the OBU tax concession doubled between 2006-07 and 2007-08. At August 2009, there were 132 gazetted OBUs, though less than 100 after excluding multiple licences from related entities, and many are not active (Johnson report 2009, p.58). Most of the active OBU licensees are investment banks, deposit-taking institutions or fund managers.

For the measures that are not quantified, the TES reports an indicative range within which the value of the concession is likely to fall. For example, the estimates indicate that the value of the withholding tax concessions on interest payments by Australian banks to foreign branches (TES item B15) could exceed $100 million and may be as high as $1 billion. Under this concession, withholding tax is only paid on half of the taxable amount of interest.

Four other measures were classified as potentially providing concessional treatment but the benefit conferred was estimated as approximately zero in recent years (see footnote d, table 4.1).

Over the last two years, the Australian Government has announced measures to promote Australia's financial services sector and remove obstacles to Australia becoming a financial services centre for the Asia Pacific region (box 4.3). These measures include a reduction in withholding tax on designated offshore distributions from Australian managed funds. This has been estimated to cost $630 million, using the foregone tax revenue method, over the three-year period to 2011-12. The Government also accepted, either directly or in principle, most recommendations in the Report by the Australian Financial Centre Forum (the 'Johnson Report') (Australian Government 2009c).

Box 4.3 **A financial services centre for the Asia Pacific area?**

The Australian Government has announced a number of measures intended to promote Australia's financial services sector and remove remaining obstacles to Australia potentially becoming a financial services centre for the Asia Pacific, including:

- Cutting the withholding tax on certain foreign distributions from managed investment trusts from 30 per cent to a final rate of 7.5 per cent at an estimated cost to revenue of $630 million over the three year period to 2011-12 (Australian Government 2008).
- Changing the attribution rules and providing deemed capital account treatment to eligible Managed Investment Trusts for gains and losses on disposal of certain assets (primarily shares, units and real property) to assist Australian managed funds and other businesses compete in export markets and to support higher employment in those activities (Bowen 2009b).
- Repealing and replacing the Foreign Investment Fund provisions with a narrowly-defined anti-avoidance rule and modernising the Controlled Foreign Company rules to reduce the complexity of attribution rules, the controlled foreign company rules, foreign investment fund rules, transferor trust rules and the deemed present entitlement rules. A consultation paper on the CFC rules was released in January 2010 (Sherry 2010).
- Transferring the supervision of financial markets from the ASX to ASIC, the corporate regulator, to provide a single unified supervisor for market participants, to establish international best practice in this area of financial supervision (Bowen 2009c)

In its response, in May 2010, to the Report of the Australian Financial Centre Forum (the 'Johnson' Report) the Australian Government accepted directly, or in-principle nearly all of the Forum's 19 recommendations including: the introduction of an Investment Manager Regime; the establishment of an online regulatory gateway; and the development of an Asia Region Funds Passport (Bowen and Sherry 2010). The Government will also phase down from 10 per cent to 5 per cent of the interest withholding tax (IWT) incurred by local subsidiaries and branches of financial institutions when they pay interest on borrowings from their overseas parents (Bowen, Swan and Sherry 2010).

In addition, the Treasury recently completed a review of the application of the GST to financial supplies. In response, the Government announced on 11 May 2010, changes intended to simplify the operation of the legislation and reduce compliance and administrative costs, consistent with the existing policy intent.

Finance-related taxation concessions

Superannuation tax concessions

The principal taxation concessions with incidental benefits for the finance sector relate to superannuation. In Australia, compulsory superannuation arrangements apply as part of national retirement incomes policy. Under these arrangements, a designated proportion of earnings (between a floor and ceiling) is required to be contributed to complying superannuation funds, while withdrawal of funds is subject to age and other eligibility restrictions and is generally not permitted before retirement. Concessional taxation arrangements apply to those funds. In addition, government makes direct contributions on behalf of some (generally low income) wage earners and concessional arrangements apply to qualifying voluntary contributions through salary sacrifice and other arrangements.

The compulsory nature of the arrangements and the taxation concessions on voluntary contributions afford advantages to superannuation savings over other uses of funds (including own-account investment) and incidentally benefit superannuation saving vehicles and service providers.

In the TES estimates, the superannuation tax expenditures are based on the revenue forgone at the time the superannuation transactions occur (box 4.4). In 2008-09, TES estimates reported tax concessions relating to superannuation amounting to nearly $25 billion (table 4.2). They do not represent revenue forgone and do not take into account long term consequences such as reduced pension costs. As indicated, these afforded benefits to complying superannuation vehicles over other fund management activities. It also increased the demand for superannuation services although the value of the taxation concession estimated in the TES is not a direct measure of assistance accruing to financial service providers.

Nearly 90 per cent of superannuation tax concessions in 2008-09 related to the combination of employer contributions to superannuation funds and the investment earnings of superannuation funds (TES items C5, C6). Employer contributions received by superannuation funds (up to certain limits) are taxed at 15 per cent; a lower tax rate than is applied to other marginal income accruing to most people. This concession was estimated to be over $12.5 billion in 2008-09. In addition, the earnings of a superannuation fund are also taxed at 15 per cent, a discount on the tax rates that would normally apply under tax law to investment income in the hands of investors. This concession was estimated to be over $10 billion in 2008-09.

Box 4.4 **Establishing the superannuation tax benchmark**

The Australian taxation superannuation benchmark, as established by The Treasury in the TES, uses an 'income' tax base that comprises:

- contributions as they would be taxed in the hands of the fund member when the contribution is made;
- earnings as they would be taxed in the hands of the investor when the earnings accrue; and
- benefits from superannuation which would be untaxed when the funds are drawn (Australian Government 2010a).

Some have argued for an alternative benchmark, particularly an 'expenditure' tax base. Under such a benchmark, contributions and earnings would be assumed to be 'untaxed' while the end benefits would be taxed — which would typically be at a lower rate. Under such an expenditure tax benchmark, the aggregate estimated concessions across time would be lower, as the expenditure benchmark itself is highly concessional. The Treasury has estimated that the current superannuation taxation arrangements are more concessional than the expenditure tax benchmark.

Table 4.2 **Estimated superannuation taxation concessions, 2005-06 to 2008-09**

Tax expenditure item (TES code)	*2005-06*	*2006-07*	*2007-08*	*2008-09*
	$m	$m	$m	$m
Concessions to superannuation vehicles				
CGT discount for funds (C4)	1 090	1 690	890	210
Concessional taxation of employer contributions (C5)	9500	11 400	13 000	12 500
Concessional taxation of superannuation entity earnings (C6)	12 150	16 050	14 450	10 000
Concessions to individuals (quantified)[a]	565	1 068	2 310	1 918
Total[b]	**23 305**	**30 208**	**30 650**	**24 628**

[a] Sum of TES items: C7 (concessional taxation of unfunded superannuation), C8 (concessional taxation of certain personal contributions), C9 (measures for low income earners), C10 (spouse contribution offset), C13 (tax on funded lump sums relating to post-June 1983 service) and C14 (tax on funded lump sums relating to pre-July 1983 service). [b] In addition to the quantified items, three items — C11 (tax on excess concessional contributions), C12 (tax on excess non-concessional contributions) and C15 (tax on funded superannuation income streams) are not quantified. These latter three items are identified by Treasury as *negative* tax expenditures, with a combined indicative tax revenue gain ranging up to $2 billion.

Source: Australian Government (2010a).

In addition to these quantified concessions, a number of other superannuation measures are not quantified (footnote c, table 4.2). Rather than being concessional, these unquantified measures are considered to be 'taxing' (a negative tax expenditure) with a combined indicative range of $200 million up to $2 billion.

The review of Australia's tax system (the 'Henry review') was asked to examine, amongst other things, superannuation issues including the taxation of savings, assets and investment, and the tax and transfer system for retirees (Swan 2008a). The report was delivered to the Treasurer in December 2009 and was released with the Government's response in May (Swan and Rudd 2010).[1] A review of the governance efficiency, structure and operation of Australia's superannuation system (the Cooper review) is to report to the Government by the end of June 2010 (Sherry 2009).

Other finance-related taxation concessions

The largest quantified GST concession is afforded through the GST input tax treatment of financial supplies (table 4.3). Where the normal GST rules apply, businesses charge GST on outputs but can claim input tax credits for the GST paid on inputs to make those supplies. In contrast to the approach normally applied, an input tax treatment is generally used for financial supplies in all countries that have a GST or VAT, because of the difficulty of determining taxable values for the relevant service flows — though a Treasury review is currently underway on this issue (see box 4.3).

- Where input taxing applies (as with financial services), no GST is charged on outputs, but tax credits cannot be claimed for inputs used in the provision of those services (item H2).
- There are however, some exceptions where partial credits are allowed for certain types of services used by financial service providers (item H3).
- There is also a *de minimus* rule that allows full input tax credits to be claimed if input tax credits claimed for financial supplies fall below certain thresholds (item H1, not quantified). The tax expenditure under this concession is estimated to range up to $1 billion.

[1] In the Budget, the Government announced: a government superannuation contribution tax rebate for low income earners; an increase in the concessional caped for those aged over 50 years with low superannuation balances; and an increase in the Superannuation Guarantee age limit from 70 to 75 years.

Table 4.3 **Finance-sector related GST and CGT concessions, 2005-06 to 2008-09**

Tax expenditure item (TES code)	*2005-06*	*2006-07*	*2007-08*	*2008-09*
	$m	$m	$m	$m
Quantified measures				
Goods and services tax				
GST Financial supplies, GST free, and no input tax generally (H2)	1 640	1 760	1 880	2 040
GST Financial supplies, reduced input tax credit (H3)	670	730	780	830
Capital gains taxation				
Capital gains tax discount for investors in listed investment companies (E15)	25	25	40	35
Total of quantified measures	**2 335**	**2 515**	**2 700**	**2 905**
Non-quantified measures				
GST Financial supplies, input tax credits available below a threshold (H1)	100-1 000	100-1 000	100-1 000	100-1 000
Capital gains tax exemption for certain foreign investments in venture capital (E32)	-	-	10-100	10-100

Source: Australian Government (2010a).

A capital gains taxation exemption (not quantified) is also applied to the profits of certain non-resident investors in respect of their eligible venture capital investments (item E32). Treasury's indicative range for this tax expenditure was $10 million up to $100 million for 2008-09.

Finance business use of generally available budgetary support

In addition to finance-specific and finance-related tax concessions, finance businesses are eligible to claim concessions and grants available generally to all business, including:

- capital gains taxation concessions for small businesses;
- a 25 per cent entrepreneur's tax offset for eligible small businesses; and
- R&D support.

An estimated $262 million accrued to finance businesses (including insurance) in 2008-09 from these measures (table 4.4).

Table 4.4 General budgetary support to the finance and insurance industries, 2005-06 to 2008-09

Measure	*2005-06*	*2006-07*	*2007-08*	*2008-09*
	$m	$m	$m	$m
Capital Gains Tax (Small Businesses)				
Rollover deferral (E20)	8	13	17	26
50 percent reduction (E31)	28	29	45	54
Retirement exemption (C1)	19	20	34	38
Exemption for assets held more than 15 years (C20)	8	14	23	29
Business income				
Entrepreneurs’ 25 per cent tax offset (B52)	nil	4	5	7
R&D tax concessions and grants [a]	72	76	99	108
Total	**135**	**156**	**223**	**262**

[a] Comprising support from the following programs: R&D tax concession; Premium R&D tax concession; R&D tax offset for small companies; R&D Start; Preseed Fund; Innovation Investment Fund; COMET; and Commercial Ready.

Source: Commission estimates based on Australian Government (2010a) and ATO data .

4.3 Financial stabilisation and regulatory frameworks

As is the case for other industries, the structure and performance of the finance sector is influenced by regulatory and other government measures. The finance-related measures are intended to achieve stability, efficiency and competition in the sector, as well as broader economic and social goals. While intended to generate benefits, such regulatory and other measures potentially can add to the capital requirements and other costs of financial intermediaries. On-going measures influencing financial intermediaries include:

- prudential regulation administered by the Australian Prudential Regulatory Authority (APRA) which is aimed at promoting financial stability in Australia and protecting the interests of depositors, insurance policy holders and superannuation members, while allowing the continued development of viable, competitive and innovative industries in the financial services sector;

- licensing and other regulation of financial services administered by the Australian Securities and Investments Commission (ASIC) which are intended to facilitate and improve the performance of the financial system and entities in it; and promote confident and informed participation by investors and consumers in the financial system;
- provisions to protect depositors of ADIs under the *Banking Act 1959* including through control powers of APRA and the Financial Claims Scheme (in the case of insolvent ADIs);
- financial stability actions of the Reserve Bank of Australia (RBA), such as possible provision of liquidity to the financial system (as a whole) through domestic market operations and, in special circumstances, direct lending to illiquid deposit taking institutions;
- restrictions on entry and exit through regulation of the right to conduct banking business and restrictions on the acceptance of retail deposits by Australian branches of foreign banks; and
- restrictions on mergers and takeovers among the four largest banks, under the four pillars policy.

In response to concerns about global liquidity and to buttress confidence in the stability of financial markets and competition in the Australian mortgage market in 2008, the Australian Government implemented the following finance-related measures:

- committed up to $16 billion towards the purchase of Residential Mortgage Backed Securities;
- guaranteed deposits up to $1 million in Australian deposit-taking institutions (ADIs) without charge under the Financial Claims Scheme;
- offered to guarantee deposits over $1 million in ADIs and wholesale funding of ADIs, for a fee, under the Guarantee Scheme for Large Deposits and Wholesale funding (the Guarantee Scheme);
- made available the Guarantee Scheme, with some restrictions, to Australian branches of foreign owned banks;
- made available a temporary voluntary guarantee, for a fee, for designated state borrowings; and
- facilitated the establishment of a financing trust facility to provide temporary liquidity support for eligible car dealerships.

The government also established a guarantee scheme for car finance companies, but no payments have been made under the scheme.

The details of the measures established during the financial crisis are outlined below.

Contribution to issues of Residential Mortgage-Backed Securities

The tightening of credit markets early in the financial crisis restricted the ability of financial institutions to fund lending by selling asset-backed securities.[2] This contraction curtailed the lending operations of institutions which were more reliant on the sale of mortgage-backed securities as a funding source. There was an associated decline in the share of home lending accounted for by wholesale lenders (which largely raised funds through securitisation) from over 10 per cent, before the beginning of the crisis in mid-2007, to around 4 per cent by September 2008.

To support competition in Australia's mortgage markets, in September 2008, the Treasurer announced that the Australian Office of Financial Management (AOFM) would acquire Residential Mortgage Backed Securities (RMBS) from a wide range of Australian lenders in initial tranches totalling $4 billion (Swan 2008b). In October 2008, the Prime Minister announced that an additional $4 billion would be provided for the purchase of RMBS (Rudd 2008). At least $4 billion of the $8 billion was to be allocated to issuer/originators that are non-ADIs (AOFM 2008). By the end of 2009, the AOFM had contributed $7.8 billion in 20 RMBS issues. Other investors contributed $3.6 billion in these issues. The RMBS scheme has supported mortgage finance on over 62 000 residential properties. (AOFM 2009).

A further contribution of $8 billion towards the acquisition of mortgage backed securities (plus the $0.2 billion remaining from the initial program) was announced in October 2009 (Swan 2009d). The additional funding was an extension of the original (competition promoting) mandate with the additional objective of affording greater support to small businesses in the lending market. Proposals for the acquisition of securities are evaluated by AOFM in terms of the likely contribution they would make to maintaining competition in housing lending, and to small business lending (AOFM 2009).

Government support for the acquisition of RMBS enables securitizers to issue larger volumes than would have been the case in the absence of the government program.

2 A mortgage backed security (a particular type of asset-backed security) combines individual mortgages into a single, composite, security. The owner of the security is entitled to receive the repayments of interest and principal derived from the underlying mortgages.

Guarantees of deposits and wholesale funding of ADIs

Guarantees of deposits and wholesale funding held in qualifying Australian deposit taking institutions (including Australian subsidiaries of foreign banks, building societies and credit unions) were announced in October 2008. Under interim arrangements, all deposits and wholesale funding eligible for guarantee arrangements were guaranteed without charge. One hundred and eighty nine Australian ADIs were eligible for the wholesale funding guarantees.

Final arrangements were implemented from 28 November 2008 (Swan 2008c). Under these arrangements, guarantees are afforded to deposits of up to $1 million without charge under the Financial Claims Scheme (FCS). The FCS, developed before the crisis, is a permanent feature of the Australian financial sector regulatory framework. When the government announced the $1 million cap in October 2008 — higher than the threshold that was to be introduced for the permanent scheme — it committed to a review of arrangements after three years (that is, October 2011).

Separately, deposits over $1 million and wholesale funding of eligible ADIs could be guaranteed for a fee, under the Guarantee of Large Deposits and Wholesale Funding (Guarantee Scheme) (box 4.5). The Guarantee Scheme was also made available, with some restrictions, to branches of foreign banks. The Guarantee Scheme was to remain in place until conditions 'normalise' (RBA and APRA 2009). Based on advice from the Council of Financial Regulators, the Government announced the withdrawal of the Guarantee Scheme from 31 March 2010 (Swan 2010a).

The guarantee arrangements were intended to protect depositors with ADIs, maintain the liquidity of key financial institutions during the crisis and contribute to the stabilisation of financial markets. Announced as a temporary measure, the guarantee selectively benefits institutions receiving liquidity support relative to others.

In terms of the benefits conferred by Australian arrangements on eligible ADIs, the Reserve Bank of Australia and APRA in a submission to the 2009 Inquiry by the Senate Economics Reference Committee into Bank Funding Guarantees, noted:

> The Australian arrangements share many common features with those introduced in other countries although, on balance, the range of parameters are generally at the more supportive end of those internationally. (RBA and APRA 2009, p. 2)

Box 4.5 **Large deposit and wholesale funding guarantee arrangements**

The wholesale funding guarantee was available to qualifying Australian deposit taking institutions (ADIs) for short-term liabilities such as bank bills, certificates of deposit, commercial paper and certain debentures with initial maturities of up to 15 months and to long-term liabilities such as bonds, notes and certain debentures with terms of maturity of 15 to 60 months. The guarantee applies for the full term of the relevant security even now after the scheme has closed to new issuances and can be applied to existing as well as new securities. The facility was restricted to senior unsecured debt instruments in major currencies, whether issued domestically or offshore.

Restricted availability to foreign banks

The Guarantee Scheme was also available with some restriction to branches of foreign owned banks. In particular, foreign bank branches in Australia could not use guaranteed liabilities to directly support the parent bank or group (of which they are part) outside Australia. The guarantee was also only available on the condition that the liabilities are not guaranteed by the home authorities and the branch provides additional information about the parent bank's prudential compliance.

Guarantee fees

The fee structure is based on the spreads likely to prevail in more normal conditions and provides the basis for a natural exit mechanism as financial conditions normalise. A fee of 70 basis points per annum applies to ADIs with credit ratings of AAA to AA-; 100 basis points for ratings of A+ to A- and 150 basis points for BBB+ and below and unrated institutions.

Source: (Swan 2008c)

Guarantee of deposits up to $1 million per customer per ADI

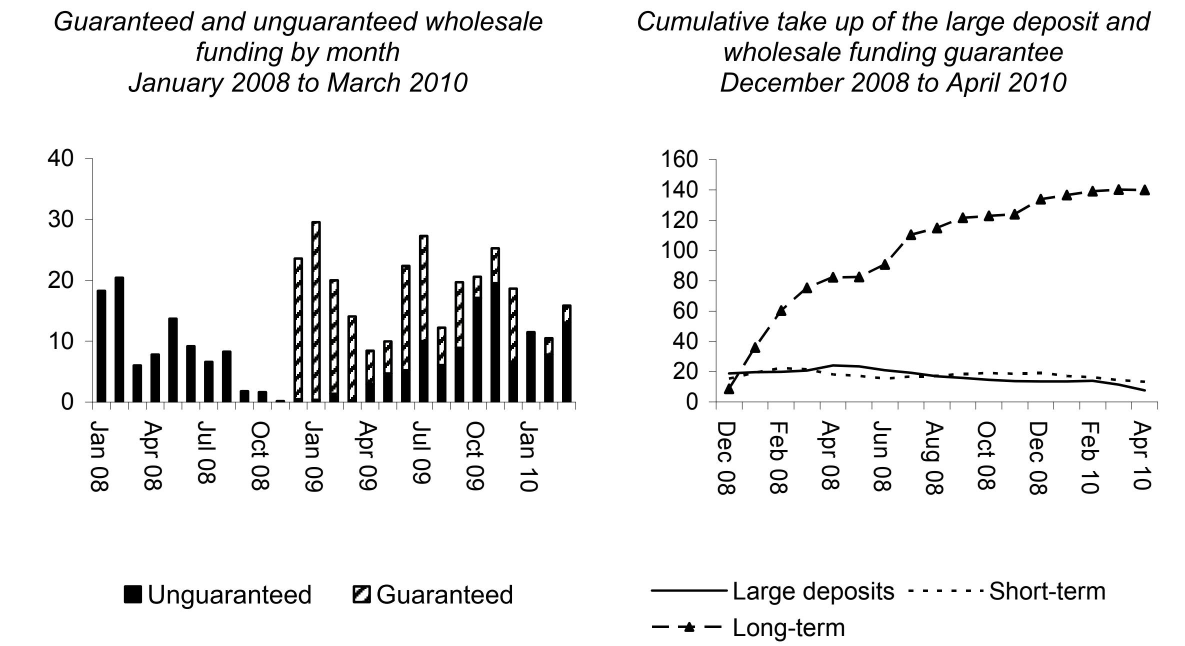
It is estimated that by April 2009, the FCS covered over 16 million deposit accounts of up to $1 million (over 99 per cent of depositors) holding around $650 billion (70 per cent of ADI deposits) (The Treasury 2009).

One potential indicator of the impact of the guarantee during the crisis is provided by defensive measures taken by competing financial institutions not protected by the guarantee. In this regard, while there was a freeze on redemptions by at least 10 mortgage trusts before the introduction of the guarantee, many more followed. Overall, it has been estimated that around 80 mortgage trusts, with a combined total of over $26 billion of funds under management, have applied withdrawal limitations (SERC 2009, The Treasury 2009). The Investment and Financial Services Association (IFSA) reported a 25-fold increase in redemption requests after the introduction of the guarantees (IFSA 2009). IFSA noted that investment funds tend to receive larger deposits than do credit unions and building societies which were protected by the guarantee and suggested that investment funds would have been less affected if the guarantee had been capped at, say, $100 000 rather than $1 million.

Large deposits and wholesale funding guarantee

Following the introduction of the large deposit and wholesale funding guarantee in November 2008, there was a substantial increase in the level of wholesale funding raised by ADIs from domestic and foreign sources (figure 4.2, left hand panel). While nearly all funding from domestic and foreign sources was government guaranteed early in 2009, the use of the guarantee tapered off through that year, although the relative use of guaranteed and non-guaranteed borrowings varied from month to month.

Figure 4.2 **Trends in large deposit and wholesale funding of Australian deposit taking institutions**
$ billion



Source: RBA (2010a); Australian Government (2010b).

The cumulative take-up of the guarantee on long-term wholesale funding has increased from less than $10 billion at the commencement of the scheme to over $120 billion in December 2009 (figure 4.2, right hand panel). The cumulative take up of the guarantee on large deposits and short-term funding has remained around $20 billion for each category, or about 2 per cent of such deposits with ADIs. By

February 2010, fees paid to the Government for use of the guarantee had totalled about $1.1 billion, and are projected to amount to around $5.5 billion over the full life of the guaranteed instruments (Swan 2010a).

Guarantee scheme for State and Territory borrowings

Concern was expressed that the Wholesale Funding Guarantee Scheme could divert funds from Australian States and Territories. For example, the Tasmanian Treasury noted:

> As soon as the [bank borrowing] guarantee was announced, it became difficult for the States to issue long-term debt as the market anticipated that the banks would issue large volumes of guaranteed debt. This was confirmed when the guarantee was implemented, which effectively crowded the States out of the market. (Tasmanian Department of Treasury and Finance, 2009, p.1)

In March 2009, the Australian Government introduced a guarantee scheme, on a voluntary basis, to designated state government borrowings (Swan 2009e). The guarantee is intended to increase the capacity of state and territory governments to fund infrastructure projects during the financial crisis. The guarantee was made available, for a fee, for existing and new issues denominated in Australian dollars.[3] In February 2010, the Australian Government announced that the State Guarantee would be closed to new issuance from 31 December 2010 (Swan 2010a). At February 2010, New South Wales and Queensland are the only jurisdictions to have employed the facility (Australian Government 2010c). The longer withdrawal period relative to the Guarantee of Large Deposits and Wholesale Funding is intended to enable states to establish liquidity in new unguaranteed bonds.

4.4 Implications of finance measures

As demonstrated above, a range of measures provide support to the finance sector. This section considers some of the implications of the assistance that is aimed at developing the financial services industry, and the impact of the measures that have been introduced in response to the financial crisis.

3 The fee structure for AAA securities is 15 basis points for existing stock and 30 basis points for new issuance. For existing and new AA+ securities the fees are 20 and 35 points, respectively.

The need to assess finance industry development measures

Taxation concessions that provide commercial advantages to eligible finance businesses are intended to encourage additional activity in that sector, including relocation to Australia. However, such concessions:

- may reduce tax revenue from offshore banking activity compared to that which would occur if 'normal' corporate tax rates were to apply; and
- encourage the diversion of Australian labour and capital away from other activities (including other financial services).

Such policies also risk diverting business effort into seeking support and add to compliance and administrative costs.

The overall impact of the finance-specific concessions therefore depends on the economy-wide effects, including net tax effects, of the measures as opposed to the commercial advantages accruing to the particular businesses receiving support. Similarly, the broader economic effects of other policy measures to promote Australia as a finance centre would depend on their impact on sectoral innovation and productivity and the availability of Australian services that match those offered by overseas competitors.

On the other hand, the progressive deregulation of Australian and global financial markets over the past 30 years has subjected local financial institutions to greater competitive pressure. Increased competition has encouraged the domestic sector to lower costs and increase quality, not only to maintain its domestic business, but also to export its services. Further, government policies that enable consumers and business to access the most efficient financial service providers would lower costs and increase the productivity of other Australian businesses. (In this context, the Productivity Commission is undertaking a review of the regulatory burdens on business and consumer services, including financial intermediation services.)

A role for review of financial market regulation

The Australian Government's substantial support for the sector in response to the GFC has helped stabilise financial markets and underpin the performance of the wider economy. While the broad objective appears to have been largely met, the global financial crisis, and the associated temporary responses, are likely to have some enduring effects, giving rise to a number of policy issues.

First, a practical issue is how recent events will influence risk taking and moral hazard. The current round of targeted support is likely to have reinforced expectations that government support will be forthcoming during 'financial emergencies'. However, uncertainty will remain about the level of support that may be provided (PC 2009e).

Second, the financial crisis and associated measures have affected the competitive landscape in the finance sector, both between ADIs and non-ADIs and within the ADI sub-sector. Some businesses have argued that the government assistance arrangements reinforced any 'flight to quality' — to deposit investments and large banks — that would be expected over a credit cycle. In the largest segment of the market (housing finance) large banks increased their market share mainly at the expense of foreign banks, and non-ADIs lost market share. While barriers to entry to financial intermediation generally appear low, any weakening of competition arising from the crisis and its aftermath risks dampening innovation and productivity growth.

Third, coordinated international action to strengthen financial market regulations is likely to change the operation of financial markets with flow-on effects to businesses and consumers. It is unlikely that Australia's regulatory settings will remain unchanged — even allowing for the demonstrated resilience of Australia's finance sector. In its *Annual Report 2008-09*, the Commission recognised that while some changes to financial regulations are likely to be warranted, there are risks that changes could unduly restrict competition, innovation and ultimately productivity of the sector and detract from the substantial gains derived from three decades of finance sector reform.

As with changes to markets and businesses more generally, any significant changes to prudential and other regulations in the finance sector should only be implemented following detailed examination of the likely costs and benefits. In preference to piecemeal regulatory changes, with their attendant risks and potential for unintended consequences, the Commission would see value in a wider public review of financial market regulation.

5 Recent developments in trade policy

Australia is an active participant in trade negotiations and more generally in trade policy reform. Australian governments have reduced barriers to international trade mainly through domestic reforms, reinforced by participation in multilateral trade agreements. Australia has also undertaken other reforms ‘behind the border’ to address impediments to trade and investment and enhance productivity.

In recent years, as well as engaging in the current ‘Doha’ round of multilateral negotiations under the World Trade Organization (WTO), Australia has pursued preferential trade agreements with a number of countries.

This chapter reports on the developments in Australia’s trade policy since mid-2008, including:

- continued efforts to conclude the Doha Round of multilateral trade negotiations;
- ongoing negotiation of preferential trade agreements and the intention to initiate further agreements;
- a Productivity Commission review of bilateral and regional trade agreements;
- recent government announcements in relation to Australia’s tariff concession system; and
- international trade disputes at the WTO that involve Australia.

5.1 Trade agreements

Membership of the GATT (and, since 1995, the WTO) has grown from 23 countries in 1947 to more than 150 countries today. Collectively, these countries now account for around 97 per cent of world trade. The WTO provides a multilateral, rules-based system for the conduct of international trade (box 5.1). In all, eight rounds of negotiations have been conducted under the GATT/WTO framework, covering: goods, services, non-tariff trade barriers and certain trade-related issues such as intellectual property protection (table 5.1).

Box 5.1 **The World Trade Organization**

The World Trade Organization (WTO) is an international forum where sovereign governments negotiate agreements on barriers to international trade and related matters which constrain their own subsequent actions, thereby fostering an open trading system.

In broad terms, the WTO agreements require all member governments to apply their trade rules in a consistent, transparent and non-discriminatory way. Once a country's trade commitments have been agreed with other WTO members, the commitments are 'bound' and cannot be broken without risking sanctioned retaliation or other disciplines.

The modern multilateral trading system was established in 1947 when 23 governments — mainly from developed countries including Australia — signed the General Agreement on Tariffs and Trade (GATT). Since the GATT's inception, industrial country tariffs on industrial products have come down from an average of some 20 to 30 per cent to less than 4 per cent, while over the period since 1950, world merchandise trade has increased 27-fold (in volume terms), or three times faster than world output growth.

The WTO was established in 1995, following member countries' agreement to create the organisation as part of the Uruguay Round negotiations. Membership of the GATT, and the WTO since 1995, has steadily increased. There are now over 150 members, the majority of which are developing nations. Governments can apply to join or withdraw from the WTO at any time.

With the creation of the WTO in 1995, the system was also extended with the formation of the General Agreement of Trade in Services (GATS). Like merchandise trade, the objective of the GATS is to remove barriers to trade through multilateral rules and reciprocal 'concessions'. The GATS covers trade in all services, including financial services, telecommunications, air transport services and movement of natural persons.

As an organisation overseeing agreements between nations and the rules of trade, the WTO also has a dispute settlement mechanism and monitors members' trade policies.

The WTO does not administer any specific agreements dealing with the environment, investment or competition policy, though aspects of these issues form a part of the WTO's work program. International labour standards are covered by the International Labour Organization (ILO).

Source: WTO (2008a and 2009).

Doha Round

The latest round of multilateral negotiations (the Doha Round) was launched in 2001. The Round set an ambitious negotiating agenda (table 5.1). The original deadline for the Round's completion was 1 January 2005, but five years later a conclusion has still not been achieved.

Table 5.1 **Coverage of multilateral trade rounds**

Year	*Place/Round name*	*Subjects covered*[a]	*No. of countries*
1947	Geneva	Tariffs	23
1949	Annecy	Tariffs	13
1951	Torquay	Tariffs	38
1956	Geneva	Tariffs	26
1960–61	Dillon Round	Tariffs	26
1964–67	Kennedy Round	Tariffs & anti-dumping measures	62
1973–79	Tokyo Round	Tariffs and non-tariff measures, 'framework agreements'	102
1986–94	Uruguay Round	Tariffs and non-tariff measures (for services as well as agriculture and non-agricultural products), anti-dumping measures, services, intellectual property, dispute settlement, textiles, agriculture, creation of the WTO.	123
2001–	Doha Round	Tariff and non-tariff measures (for services as well as agriculture and non-agricultural products), intellectual property, investment rules, competition policy, transparency in government procurement, trade facilitation, anti-dumping, regional trade agreements, dispute settlement understanding, environment, e-commerce, small economies, debt & finance, technology transfer, capacity building, least-developed countries, special & different treatment.	153

[a] Not all subjects covered are necessarily included in the final agreement.

Sources: WTO (2001, 2008a).

In July 2008, agreement was reached on a number of topics, but the meeting collapsed due to a disagreement over agriculture (WTO 2008b). Since 2008, while there have been some negotiations on technical aspects of the agricultural commitments, no formal agreements or commitments have emerged and despite efforts by the Director General of the WTO, little progress was made during 2009 and early 2010 (WTO 2010a). At this stage, there is also no formal agenda for further ministerial meetings.

Preferential trade agreements

Since the formation of the GATT in 1947, development of Australia's international trading relations has mainly been undertaken on a most-favoured-nation (MFN) basis within the multilateral GATT/WTO framework. In addition, Australia has also negotiated and maintained preferential trade agreements with a relatively small number of countries. These agreements provide preferential market access for member countries.[1] In addition to providing tariff preferences on merchandise, these agreements cover, variously, areas such as intellectual property, government procurement and other trade in services.

Australia's preferential agreements include some long-standing arrangements with New Zealand, the South Pacific Forum Island countries, Papua New Guinea and Canada. Only the agreements with New Zealand and Canada were reciprocal agreements, although most of the provisions under the Canadian agreement have been superseded by tariff reductions in both countries conferred on a MFN (that is, non-discriminatory) basis (DFAT 2010a).

More recently, Australia has entered into a number of new preferential trade agreements. These are mostly bilateral, apart from the most recent one, the regional agreement with ASEAN and New Zealand which entered into force on 1 January 2010. Australia's other agreements are with: Singapore, (entered into force on 28 July 2003); Thailand (1 January 2005); the United States (1 January 2005); and Chile (6 March 2009).

Further bilateral agreements are currently being pursued with China, Japan, Malaysia, Korea and the Gulf Cooperation Council, as well as two regional agreements:

- a proposed Pacific Agreement on Closer Economic Relations (PACER) Plus agreement negotiated by the Pacific Islands Forum members; and
- a proposed Trans-Pacific Partnership (TPP) Agreement which would expand on the current Trans-Pacific Strategic Economic Partnership Agreement between Brunei Darussalam, Chile, New Zealand and Singapore, that entered into force in 2006. Australia, Peru, the United States and Vietnam have joined these negotiations which commenced in March 2010.

In addition, the possibility of a regional agreement between Australia and the Gulf Cooperation Council (which comprises Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates) is being explored. Feasibility studies on the potential merits of possible bilateral agreements with India and Indonesia have been concluded and the two governments are considering the findings.

[1] The Commission uses the generic term 'preferential trade agreement' to refer to those agreements providing for preferential access to goods (and services) from member countries, over goods (and services) sourced from non-member countries.

Other agreements

Australia has been a member of the Asia-Pacific Economic Cooperation (APEC) forum since its formation in 1989. The objectives of APEC are to promote free and open trade and investment, accelerate regional economic integration, encourage economic and technical cooperation, enhance human security, and facilitate a favourable and sustainable business environment (APEC 2010).

As part of the 1994 Bogor Declaration, APEC members made a (voluntary) commitment to achieving free and open trade and investment by 2020. The pace of implementation would take into account differing levels of economic development among APEC economies, with the industrialised economies achieving free and open trade and investment no later than 2010 and developing countries no later than the year 2020 (APEC 1994).

Review of bilateral and regional trade agreements

In November 2009, the Australian Government asked the Productivity Commission to conduct a review into the impact of bilateral and regional trade agreements on trade and investment barriers and, more generally, Australia's trade and economic performance (Crean and Sherry 2009).

The Commission is required to examine the effectiveness of such agreements in responding to national and global economic and trade developments, and in contributing to efforts to boost Australia's engagement in the region and evolving regional economic architecture. Among other things, the Commission has been asked to examine:

- the contribution of bilateral and regional agreements to reducing trade and investment barriers and safeguarding against the introduction of new barriers;
- the role of such agreements in lending support to the international trading system and the WTO;
- the potential for agreements to facilitate adjustment to global economic developments and to promote regional integration;
- the impact of agreements on Australia's trade and economic performance, in particular any impact on trade flows, behind-the-border barriers, investment returns and productivity growth; and
- the scope for Australia's bilateral and regional trade agreements to reduce trade and investment barriers of trading partners or to promote structural reform and productivity growth in partner countries.

An Issues Paper for the study was released in December 2009 with a draft report due in July. The Commission is required to submit its final report to the Government by the end of November 2010.

5.2 Dispute settlement in the global trading system

Dispute settlement is central to the multilateral trading system under the WTO, to help make the global trading system more secure and predictable. The dispute settlement arrangements are the responsibility of the Dispute Settlement Body (DSB) and are based on clearly-defined rules, with specified timetables for completing a case. The first rulings of a case are made by a panel. Appeals are heard by three members of a permanent seven-member Appellate Body set up by the DSB. An appeal can uphold, modify or reverse the panel's legal findings and conclusions (box 5.2). A panel's rulings, as varied through an appeal, are endorsed (or rejected) by the WTO's full membership. Since the WTO's inception in 1995, 405 disputes have been initiated under the dispute settlement system (WTO 2010b).

Complaints against Australia

Ten complaints have been lodged against Australia since the commencement of the WTO in 1995 (table 5.2). Six cases, relate to agricultural and food products — salmon, beef, pineapples, fresh fruit and vegetables and apples. The United States has made the most complaints (four cases), of which three related to leather products (DFAT 2010b).

Seven of the ten cases have been resolved — two were upheld by the WTO, and the others resolved by mutual agreement. Of the three cases outstanding, the two complaints by the Philippines relating to imports of fresh food, vegetable and pineapples date from 2002. The remaining case, brought by New Zealand in 2007, relates to apples.[2]

2 On 31 August 2007, New Zealand requested consultations with Australia concerning measures imposed by Australia on 27 March 2007 on the importation of apples from New Zealand. New Zealand considers that these restrictions are inconsistent with Australia's obligations under the SPS Agreement. The Dispute Settlement Body (DSB) established a panel on 21 January 2008. Chile, the European Community, Japan, Chinese Taipei, the United States of America and Pakistan have each reserved their third-party rights. On 20 January 2010 the Panel advised the Parties that its final report is expected in May 2010 (DFAT 2010c).

Box 5.2 **Dispute settlement within the WTO framework**

When a trade dispute occurs, the countries involved are initially required to consult each other to see if they are able to settle their differences.

Where such consultations fail, the complaining country can ask for a panel to be appointed. The respondent country can block the creation of a panel only once.

The official role of the panel is to help the Dispute Settlement Body (DSB) make rulings or recommendations, based on the (articles of) agreements cited in the complaint Because the panel's report can only be rejected by consensus in the DSB, its conclusions are difficult to overturn.

Either side in the dispute can appeal a panel's ruling. Appeals are required to be on points of law such as legal interpretation; they cannot re-examine existing evidence or examine new issues. Appeals are heard by three members of a permanent seven-member Appellate Body set up by the DSB and broadly representing the range of WTO membership. The appeal can uphold, modify or reverse the panel's legal findings and conclusions.

The DSB is required to accept or reject (by consensus) the appeals report within 30 days.

Source: WTO (2008a).

Complaints by Australia and third party involvement

Australia has made seven complaints to the WTO (table 5.2), the most recent being in 2003. All complaints have been upheld by the WTO or mutually resolved.

Australia has also reserved its right to be a third party in 64 cases — cases where Australia has commercial and/or legal interest in the matters in question (DFAT 2010b). This provides an opportunity for Australia to present its views to the panel or, after an appeal to an initial ruling, to the Appellate Body. Appendix C lists the cases in which Australia has reserved the right to be a third party.

Table 5.2 **Australia's trade disputes within the WTO framework**

Case no.	*Year*	*Product*	*Country*	*Outcome*
Australia as the defending party (respondent)				
DS18	1995	Salmon	Canada	Complaint upheld 2000
DS21	1995	Salmonoids	United States	Mutually agreed solution 2000
DS57	1996	Subsidies on leather products under the TCF scheme	United States	Mutually agreed solution
DS106	1997	Automotive leather (I)	United States	Withdrawn by USA in 1998
DS119	1998	Anti-dumping measures on coated woodfree paper sheets	Switzerland	Mutually agreed solution 1998
DS126	1998	Automotive Leather (II)	United States	Complaint upheld 2000
DS270	2002	Fresh Fruit and Vegetables	Philippines	Panel established but not composed
DS271	2002	Certain measures affecting the importation of fresh pineapple	Philippines	Consultations requested — no panel established
DS287	2003	Quarantine Regime	European Communities	Mutually agreed solution 2007
DS367	2007	Measures Affecting the importation of apples from New Zealand	New Zealand	Panel established. Yet to report
Australia as the initiating party (complainant)				
DS35	1996	Export subsidies for agricultural products	Hungary	Mutually agreed solution 1997
DS91	1997	Agricultural, textile and industrial products	India	Mutually agreed solution 1998
DS169	1999	Various measures on beef	Korea	Complaint upheld 2001
DS178	1999	Imports of lamb meat from New Zealand	United States	Complaint upheld 2001
DS217	2000	Offset Act (Byrd Amendment)	United States	Complaint upheld 2004
DS265	2002	Export subsidies on Sugar	European Communities	Most of complaint upheld 2005
DS290	2003	Trademarks and Geographical Indications	European Communities	Most of complaint upheld 2005

Source: DFAT (2010b), WTO (2010b).

During 2009, Australia was involved as a third party in eleven separate disputes. This involvement ranged from the simple procedural step of reserving third party rights, the initial step in the process, to, in three cases, making a substantive oral or written statement to the WTO. For example, in a long running complaint by the United States against the European Community concerning beef hormones and beef quotas (case D26), dating back to 1996, the European Community and the United States notified the WTO in 2009 that they had reached agreement on a new tariff rate quota for high quality beef to commence in August 2009. In a statement at the regular WTO meeting of the Dispute Settlement Body in October 2009, Australia noted that, to that time, only the United States had secured access to the quota and had started exporting. New Zealand, Brazil, Argentina, Paraguay and Uruguay raised similar concerns in their statements. In response, the European Community reassured members that the quota was based on a definition that could be used by all on a non-discriminatory basis. The United States added that it was of the view that any beef satisfying the definition of 'high quality beef' covering the cattle's diet, age and quality, could be eligible for the quota — regardless of the product's country of origin. Subsequently, on 20 January 2010, Australia was granted access to this quota (DFAT 2010c).

5.3 Proposed changes to import duty concessions schemes

In July 2009, the Australian Government announced plans to tighten existing guidelines for two tariff concession schemes, namely the Enhanced Project By-law Scheme (EPBS) and Tariff Concession System (TCS) (box 5.3) (Carr 2009i).

Box 5.3 Enhanced Project By-law Scheme and Tariff Concession Orders

The Enhanced Project By-law Scheme (EPBS) was introduced in 2002, based on the Project By-law Scheme, which it replaced. The EPBS provides tariff duty concessions on eligible capital goods for major investment projects in the mining, resource processing, food processing, food packaging, manufacturing, agriculture and the gas power, and water supply industries. Estimated tariff costs avoided by using the EPBS in 2008-09 was $60 million.

The Tariff Concession System (TCS), provides access to duty-free entry for certain goods where there is no local industry that produces those goods. Certain classes of goods are ineligible including foodstuffs, clothing, cosmetics, furniture, jewellery and passenger motor vehicles. Importers can apply to the Australian Customs and Border Protection Service for a Tariff Concession Order (TCO) which provides access to the duty-free concession.. A TCO will be granted if substitutable goods are not produced in Australia. Substitutable goods are Australian-made goods that have a use corresponding to a use of the imported goods. Once granted for particular goods the TCO is available to all importers of those goods. A local manufacturer of substitutable goods can object to the making of a TCO and can request an existing TCO be revoked. Estimated tariff costs avoided by using the scheme in 2008-09 was $1.6 billion.

Source: Carr and O'Connor (2009), ACS (2009a), AusIndustry (2009b).

Under the new guidelines, firms will be required to assess Australian industry capabilities for supplying relevant goods before they apply for tariff concessions. The Government has indicated that it expects that this requirement will lead to an increase in business opportunities for local suppliers (Carr and O'Connor 2009). The proposed changes to the guidelines are outlined in chapter 3.

A broader evaluation of both the EPBS and TCS was also signalled by the Government to take place later in 2009-10. The Australian Government subsequently announced in March 2010 that it would conduct a review of Australia's tariff concession system, that is Schedule 4 of the *Customs Tariff Act 1995* including the Enhanced Project By-law Scheme and Tariff Concession System discussed above. The review is to address options to identify and remove unnecessary complexity within the current system. The review will not examine new, or expand the scope of existing, tariff concessions. The review will be undertaken within Government as part of a Better Regulation Ministerial Partnership between the Innovation Minister, Home Affairs Minister and Finance Minster (Tanner 2010).

A Detailed estimates of Australian Government assistance to industry

Chapter 2 provides an overview of the Commission's estimates of Australian Government assistance to industry. This appendix provides supporting details of those estimates for the period 2003-04 to 2008-09.

Tables A.1 to A.3 provide estimates of net tariff assistance, budgetary assistance and net combined assistance by industry.

Tables A.4 to A.7 detail budgetary assistance to primary, mining, manufacturing and services industry groupings, respectively, by budgetary measure. For each industry, budgetary assistance measures are also identified according to the activity assisted, such as exports and R&D. Table A.8 covers budgetary measures for which information about the industry benefiting is not available.

The budgetary assistance estimates are derived primarily from actual expenditures shown in departmental and agency annual reports, and the Australian Treasury Tax Expenditures Statement. Industry and sectoral disaggregations are based primarily on supplementary information provided by relevant departments or agencies.

Further information on the assistance estimation methodology, program coverage, industry allocation and implementation of the new input-output series is to be provided in a (forthcoming) Methodological Annex to this *Review*.

Tables in this appendix are also available on the Commission's website (http://www.pc.gov.au/annualreports/trade-assistance).

Table A.1 **Net tariff assistance by industry grouping, 2003-04 to 2008-09[a]**

$ million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Primary production	**51.9**	**63.4**	**87.5**	**94.1**	**84.9**	**86.9**
Dairy cattle farming	-3.5	-3.7	-3.2	-2.7	-3.7	-3.8
Grain, sheep & beef cattle farming	-32.0	-26.9	-22.1	-15.9	-19.6	-23.2
Horticulture & fruit growing	92.2	95.9	108.9	107.4	103.1	109.9
Other crop growing	-5.0	-5.4	-4.5	-4.4	-4.9	-5.0
Other livestock farming	-2.3	-2.3	-1.8	-1.7	-1.5	-1.8
Fisheries	-18.3	-15.7	-13.7	-14.0	-14.9	-15.4
Forestry & logging	28.1	29.3	30.4	31.2	33.0	34.1
Other primary production[b]	-7.3	-7.8	-6.5	-5.8	-6.7	-7.8
Mining	**-133.6**	**-170.3**	**-212.0**	**-236.9**	**-252.7**	**-285.8**
Manufacturing	**6 199.4**	**5 953.1**	**6 023.9**	**6 228.4**	**6 597.4**	**6 529.8**
Food, beverages & tobacco	968.7	1 011.0	1 051.9	1 081.7	1 102.4	1 121.1
Textiles, clothing & footwear	859.7	641.2	497.4	501.7	536.7	509.7
Wood & paper products	407.6	423.3	428.3	421.1	414.5	406.2
Printing, publishing & media	197.8	193.0	201.8	207.7	217.5	191.3
Petroleum, coal & chemicals	752.1	759.1	772.0	771.0	807.1	769.7
Non-metallic mineral products	138.7	150.8	180.4	188.1	200.8	211.2
Metal product manufacturing	997.2	1 002.9	1 080.9	1 216.7	1 385.2	1 410.4
Motor vehicles & parts	1 155.1	1 026.9	955.8	972.4	1 026.1	1 023.2
Other transport equipment	26.7	31.0	45.2	45.9	48.5	48.3
Other machinery & equipment	448.4	459.7	536.0	545.3	575.4	573.8
Other manufacturing	247.4	254.2	274.2	276.6	283.0	264.7
Services	**-4 014.5**	**-4 063.9**	**-3 921.9**	**-4 319.0**	**-4 698.1**	**-4 938.8**
Electricity, gas & water	-76.1	-75.8	-67.9	-70.4	-79.0	-87.4
Construction	-1 145.8	-1 223.4	-1 227.0	-1 400.2	-1 525.8	-1 574.9
Wholesale trade	-330.1	-324.0	-297.3	-313.8	-350.3	-376.8
Retail trade	-646.5	-616.9	-569.2	-622.2	-698.9	-710.2
Accomm., cafes & restaurants	-335.4	-344.8	-354.3	-380.7	-400.9	-423.9
Transport & storage	-274.9	-271.2	-243.0	-281.6	-303.7	-338.5
Communication services	-150.9	-149.0	-134.4	-142.1	-145.0	-162.8
Finance & insurance	-15.8	-17.6	-18.5	-23.0	-24.2	-25.1
Property & business services	-363.6	-367.2	-360.2	-388.3	-443.3	-467.1
Government admin. & defence	-285.6	-284.7	-280.6	-301.4	-309.9	-331.3
Education	-74.1	-76.6	-76.3	-81.5	-85.0	-89.2
Health & community services	-105.6	-104.9	-102.8	-112.2	-120.7	-130.1
Cultural & recreational	-129.1	-128.8	-118.6	-126.5	-130.8	-134.4
Personal & other services	-81.0	-78.9	-71.9	-75.3	-80.8	-87.0

[a] Tariff assistance estimates are derived using ABS Industry Gross Value Added at current prices data. This information is subject to periodic revision by the ABS. Totals may not add due to rounding. [b] Other primary production includes *Services to agriculture* (including *Hunting & trapping)* and *Poultry farming*.

Source: Commission estimates.

Table A.2 Budgetary assistance by industry grouping, 2003-04 to 2008-09

$ million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Primary production	**1 374.1**	**1 270.7**	**1 396.6**	**1 756.7**	**2 170.2**	**1 668.8**
Dairy cattle farming	127.2	98.0	132.4	197.7	288.5	124.1
Grain, sheep & beef cattle	664.4	481.3	579.8	752.4	1 005.6	923.2
Horticulture & fruit growing	133.9	126.0	129.7	122.1	128.4	178.3
Other crop growing	165.1	205.7	226.9	188.3	178.0	67.6
Other livestock farming	36.5	23.9	29.5	31.0	37.1	29.3
Fisheries	55.7	106.4	80.9	284.0	192.9	97.4
Forestry & logging	32.5	78.6	74.1	38.0	29.8	-70.3
Other primary production[a]	34.0	30.0	25.1	25.2	29.9	23.1
Unallocated primary[b]	124.8	120.8	118.2	117.9	280.0	296.1
Mining	**176.2**	**202.4**	**260.0**	**307.9**	**378.4**	**420.1**
Manufacturing	**1 870.5**	**1 655.4**	**1 648.9**	**1 677.5**	**1782.9**	**1 765.6**
Food, beverages & tobacco	98.7	88.1	124.4	110.7	114.7	124.0
Textiles, clothing & footwear	154.8	152.3	159.3	132.8	133.0	128.9
Wood & paper products	38.9	35.2	44.7	43.2	72.8	83.2
Printing, publishing & media	23.4	8.9	11.7	10.1	22.1	13.0
Petroleum, coal & chemicals	162.9	100.3	130.5	154.5	191.3	193.0
Non-metallic mineral products	11.1	14.2	17.6	19.4	25.7	22.6
Metal product manufacturing	241.7	211.9	164.7	201.0	194.5	165.9
Motor vehicles & parts	712.1	677.4	580.2	620.0	599.4	573.3
Other transport equipment	38.1	24.1	35.6	27.0	32.2	39.6
Other machinery & equipment	160.9	148.2	171.9	173.1	187.6	196.5
Other manufacturing	70.4	29.8	46.6	36.8	49.5	28.5
Unallocated manufacturing[b]	157.6	164.9	161.7	148.8	160.2	196.9
Services	**1 431.1**	**1 846.3**	**1 958.8**	**2 408.9**	**3 399.1**	**3 466.9**
Electricity, gas & water supply	74.2	69.2	102.4	82.3	91.7	93.2
Construction	45.6	52.4	75.0	129.4	174.3	214.3
Wholesale trade	84.2	111.9	110.8	127.8	184.7	220.9
Retail trade	70.5	82.3	100.2	237.4	337.2	391.5
Accomm., cafes & restaurants	81.4	92.6	100.2	89.2	132.3	167.8
Transport & storage	98.1	106.3	106.4	103.1	124.1	138.1
Communication services	1 18.4	121.6	138.4	168.8	178.3	155.5
Finance & insurance	1 80.9	263.3	259.2	360.4	571.5	612.8
Property & business services	2 89.1	362.2	382.4	459.8	627.8	744.3
Government admin. & defence	20.0	12.6	14.9	21.4	20.8	32.2
Education	15.8	19.1	23.5	23.6	26.2	31.9
Health & community services	89.5	145.9	144.8	198.3	218.2	224.5
Cultural & recreational services	130.6	216.5	192.8	193.3	492.6	193.5
Personal & other services	17.0	21.8	37.1	51.5	73.3	88.2
Unallocated services[b]	115.7	168.7	171.0	162.7	146.0	158.2
Unallocated other[b]	324.6	350.9	510.1	358.8	465.8	334.0
TOTAL	**5 176.5**	**5 325.7**	**5 774.4**	**6 509.8**	**8 196.3**	**7 655.4**

[a] Other primary production includes *Services to agriculture* (including *Hunting & trapping)* and *Poultry farming*.
[b] Unallocated includes general programs where details of beneficiaries are unknown.

Source: Commission estimates.

Table A.3 **Net combined assistance by industry grouping, 2003-04 to 2008-09**

$ million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Primary production	**1 591.9**	**1 482.7**	**1 625.2**	**1 975.2**	**2 375.2**	**1 755.9**
Dairy cattle farming	274.1	237.8	265.8	319.3	404.9	120.5
Grain, sheep & beef cattle	638.8	459.6	562.2	736.5	985.9	900.1
Horticulture & fruit growing	226.1	221.9	238.6	229.6	231.5	288.1
Other crop growing	169.2	200.3	222.4	184.0	173.2	62.6
Other livestock farming	34.2	21.6	27.7	29.3	35.5	27.5
Fisheries	37.3	90.7	67.3	270.0	178.1	82.0
Forestry & logging	60.7	108.0	104.4	69.2	62.8	-36.2
Other primary production[a]	26.7	22.1	18.5	19.3	23.2	15.3
Unallocated primary[b]	124.8	120.8	118.2	117.9	280.0	296.1
Mining	**42.6**	**32.1**	**48.0**	**71.0**	**125.7**	**134.3**
Manufacturing	**8 069.9**	**7 608.4**	**7 672.8**	**7 905.9**	**8 380.3**	**8 295.4**
Food, beverages & tobacco	1 067.4	1 099.2	1 176.4	1 192.4	1 217.2	1 245.1
Textiles, clothing & footwear	1 014.5	793.4	656.7	634.6	669.7	638.6
Wood & paper products	446.5	458.5	473.0	464.3	487.3	489.5
Printing, publishing & media	221.2	201.9	213.5	217.8	239.5	204.3
Petroleum, coal & chemicals	914.9	859.4	902.5	925.6	998.4	962.8
Non-metallic mineral products	149.8	165.0	198.0	207.5	226.5	233.8
Metal product manufacturing	1 238.9	1 214.7	1 245.6	1 417.7	1 579.7	1 576.3
Motor vehicles & parts	1 867.2	1 704.3	1 536.0	1 592.4	1 625.5	1 596.5
Other transport equipment	64.8	55.2	80.8	73.0	80.6	88.0
Other machinery & equipment	609.4	607.9	708.0	718.4	763.0	770.3
Other manufacturing	317.8	284.0	320.7	313.4	332.6	293.2
Unallocated manufacturing[b]	157.6	164.9	161.7	148.8	160.2	196.9
Services	**-2 583.4**	**-2 217.6**	**-1 963.1**	**-1 910.0**	**-1 299.0**	**-1 471.9**
Electricity, gas & water supply	-1.9	-6.7	34.4	11.9	12.7	5.8
Construction	-1 100.2	-1 171.0	-1 152.0	-1 270.8	-1 351.4	-1 360.7
Wholesale trade	-245.9	-212.1	-186.5	-186.0	-165.6	-155.9
Retail trade	-576.0	-534.6	-469.0	-384.8	-361.7	-318.6
Accomm., cafes & restaurants	-254.0	-252.3	-254.0	-291.5	-268.5	-256.1
Transport & storage	-176.8	-164.9	-136.6	-178.5	-179.6	-200.4
Communication services	-32.5	-27.4	4.0	26.7	33.4	-7.3
Finance & insurance	165.1	245.7	240.7	337.5	547.4	587.7
Property & business services	-74.4	-4.9	22.2	71.6	184.5	277.2
Government admin. & defence	-265.7	-272.0	-265.7	-280.0	-289.1	-299.1
Education	-58.2	-57.6	-52.8	-57.9	-58.8	-57.4
Health & community services	-16.1	41.0	42.0	86.2	97.5	94.4
Cultural & recreational services	1.5	87.7	74.2	66.8	361.8	59.1
Personal & other services	-64.0	-57.1	-34.8	-23.9	-7.5	1.3
Unallocated services[b]	115.7	168.7	171.0	162.7	146.0	158.2
Unallocated other[b]	324.6	350.9	510.1	358.8	465.8	334.0
TOTAL	**7 445.5**	**7 256.6**	**7 893.0**	**8 400.8**	**10 047.9**	**9 047.6**

[a] Other primary production includes *Services to agriculture* (including *Hunting & trapping)* and *Poultry farming*.
[b] Unallocated includes general programs where details of beneficiaries are unknown.

Source: Commission estimates.

Table A.4 **Australian Government budgetary assistance to primary industry groups, 2003-04 to 2008-09**[a]

$ million (nominal)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Horticulture & fruit growing						
Industry-specific measures						
Assistance to the vegetable industry	-	-	0.3	1.0	1.1	<0.1
Citrus Canker Eradication Programme	-	3.5	9.8	0.6	0.6	-
Tax deduction for horticultural plantations	4.0	5.0	4.0	4.0	4.0	5.0
Tax deduction for grape vines	9.0	9.0	7.0	3.0	-1.0	-4.0
Sector-specific measures						
Agricultural development partnership	0.2	1.1	-	-	-	-
Drought Relief Package	0.1	<0.1	-	-	-	-
Exceptional circumstances – interest rate subsidy	1.9	2.1	4.9	8.7	13.5	34.0
Exceptional circumstances – relief payments	-	-	-	-	-	26.6
Farm Help	2.3	1.4	2.5	2.4	0.6	0.4
Farm Management Deposits Scheme	24.7	10.1	13.5	10.3	14.4	19.2
Farm Bis Program	3.8	2.7	1.1	0.9	1.4	-
Income tax averaging provisions	15.7	10.4	9.7	9.5	14.9	12.2
Industry partnerships program	-	3.5	2.7	3.0	2.8	0.9
Rural Financial Counselling Service	1.0	0.7	0.7	1.1	2.0	2.1
Skilling farmers for the future	0.4	-	-	-	-	-
Tax deduction for conserving or conveying water	6.9	7.5	5.0	2.5	2.5	2.5
Rural R&D measures						
Grape and Wine R&D Corporation	6.9	8.1	12.0	14.5	11.4	11.7
Horticulture Australia Limited – R&D	28.4	32.9	33.6	34.6	34.5	39.8
Rural Industries R&D Corporation	2.0	1.9	2.3	2.3	2.5	2.8
General export measures						
Export Market Development Grants Scheme	1.7	1.4	0.9	0.7	0.9	1.4
TRADEX	<0.1	<0.1	-	-	-	-
General investment measures						
Development allowance	<0.1	<0.1	<0.1	<0.1	<0.1	-

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Table A.4 (continued)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
General R&D measures						
Biotechnology Innovation Fund	<0.1	0.1	0.1	<0.1	-	-
Commercial Ready Program	-	-	1.0	1.3	0.6	0.5
COMET Program	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1
Cooperative Research Centres	4.2	3.7	1.6	-	-	-
CSIRO	13.3	13.1	11.5	12.6	9.2	8.1
Major national research facilities	1.1	1.3	1.3	-	-	-
New Industries Development Program	1.1	1.2	0.9	0.6	0.3	<0.1
Preseed fund	0.7	0.3	-	<0.1	<0.1	-
R&D Start	0.2	0.4	0.2	<0.1	-	-
R&D tax concession	0.7	0.9	0.9	0.9	1.1	1.3
R&D tax offset for small companies	0.4	1.7	0.7	2.8	3.8	4.9
Other measures						
25 per cent entrepreneurs’ tax offset	-	-	-	0.4	0.5	0.7
Australian Tourism Development Program	-	-	-	-	<0.1	-
Eden Structural Adjustment	<0.1	-	-	-	-	-
Farm Innovation Program	<0.1	-	-	-	-	-
Scottsdale Industry and Community Development Fund	-	-	-	-	0.3	0.5
Small business CG tax 50 percent reduction	3.1	1.9	1.4	3.3	5.1	6.3
Small business CG tax asset exemption	-	-	0.1	-	-	-
Small business CG tax retirement exemption	-	-	-	0.7	1.2	1.3
Total	*133.9*	*126.0*	*129.7*	*122.1*	*128.4*	*178.3*
Grain, sheep and beef cattle farming						
Industry-specific measures						
Australian Wool Innovation grant	-	-	-	15.0	-	-
National Livestock Identification System	-	5.0	5.0	5.0	4.7	0.2
Ovine Johnes Disease Control Programme	0.1	0.3	0.3	-	-	-
Tasmanian wheat freight subsidy	0.8	0.4	-	-	-	-
Tuberculosis Freedom Assurance Programme	1.0	0.6	-	-	-	-
Wheat Export Authority Supplementation	-	-	-	-	2.0	-

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Table A.4 (continued)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Sector-specific measures						
Agricultural development partnership	0.1	0.5	-	-	-	-
Drought Relief Package	4.8	1.6	-	-	-	-
Exceptional circumstances – interest rate subsidy	66.1	70.9	165.9	296.4	457.7	359.1
Exceptional circumstances – relief payments	92.8	70.9	94.4	154.3	229.3	230.3
Farm Help	5.0	7.1	6.2	6.3	1.6	1.0
Farm Management Deposits Scheme	178.8	67.8	81.7	46.7	64.0	85.4
Farm Bis Program	14.2	6.9	6.5	5.5	7.2	-
Income tax averaging provisions	97.8	61.5	41.8	36.3	57.1	46.7
Industry partnerships program	-	0.1	0.3	0.4	0.8	0.2
Interim Income Support	25.1	1.1	0.3	7.0	4.8	1.0
Rural Financial Counselling Service	2.0	1.9	2.5	5.7	6.1	6.6
Skilling farmers for the future	1.6	-	-	-	-	-
Tax deduction for conserving or conveying water	11.2	7.3	8.8	11.1	11.1	11.1
Rural R&D measures						
Wool R&D	14.1	13.5	11.0	11.6	12.3	11.4
Grains R&D Corporation	42.4	35.7	43.1	35.8	28.9	36.9
Meat and livestock R&D	32.8	39.0	40.3	35.7	34.5	31.4
Rural Industries R&D Corporation	2.6	2.2	1.8	2.4	1.7	1.0
General export measures						
EFIC national interest business[b]	4.3	3.9	3.4	4.0	2.5	2.2
Export Market Development Grants Scheme	0.5	0.4	0.4	0.4	0.5	0.6
General investment measures						
Development allowance	<0.1	<0.1	<0.1	<0.1	<0.1	-
General R&D measures						
Biotechnology Innovation Fund	<0.1	<0.1	-	-	-	-
Commercial Ready Program	-	0.2	-	-	-	-
COMET Program	<0.1	-	<0.1	<0.1	<0.1	<0.1
Cooperative Research Centres	9.0	8.7	10.7	11.4	13.0	12.4
CSIRO	46.6	50.4	34.0	40.2	34.3	45.3
Innovation investment fund	-	1.0	-	-	-	-
New Industries Development Program	0.2	0.3	0.2	0.1	<0.1	<0.1
R&D Start	<0.1	-	-	-	-	-
R&D tax concession	0.7	0.6	0.7	1.1	1.4	1.6
R&D tax offset for small companies	0.6	1.0	1.3	1.2	1.6	2.0

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Table A.4 (continued)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Other measures						
25 per cent entrepreneurs' tax offset	-	-	-	1.2	1.5	1.8
Farm Innovation Program	<0.1	-	-	-	-	-
Small business CG tax 50 percent reduction	4.9	8.7	7.0	7.3	11.2	13.6
Small business CG tax asset exemption	0.6	1.3	2.1	3.7	6.1	7.8
Small business CG tax retirement exemption	-	4.2	5.2	2.5	4.3	4.8
Small business capital gains tax exemption	3.6	6.3	4.7	4.1	5.4	8.6
Total[c]	*664.4*	*481.3*	*579.8*	*752.4*	*1005.6*	*923.2*
Dairy cattle farming						
Sector-specific measures						
Agricultural development partnership	0.1	0.5	-	-	-	-
Drought Relief Package	1.4	0.5	-	-	-	-
Exceptional circumstances – interest rate subsidy	19.7	21.2	49.5	88.4	136.5	45.3
Exceptional circumstances – relief payments	44.1	33.6	44.8	73.2	108.8	36.5
Farm Help	5.0	1.2	1.0	0.9	0.2	0.1
Farm Management Deposits Scheme	12.5	5.6	8.6	4.8	8.3	11.0
Farm Bis Program	1.6	0.5	0.3	0.4	0.4	-
Income tax averaging provisions	8.6	11.4	8.2	4.7	7.4	6.1
Interim Income Support	11.9	0.5	0.1	3.3	2.3	0.5
Rural Financial Counselling Service	0.6	0.4	0.4	1.4	1.7	1.9
Skilling farmers for the future	0.2	-	-	-	-	-
Tax deduction for conserving or conveying water	0.4	0.7	1.2	1.2	1.2	1.2
Rural R&D measures						
Dairy Research and Development	15.4	14.5	15.4	16.0	18.3	19.2
General export measures						
Export Market Development Grants Scheme	<0.1	<0.1	<0.1	0.1	<0.1	-
TRADEX	-	0.4	0.5	0.6	0.6	0.5
General R&D measures						
CSIRO	4.9	5.1	2.2	2.1	2.3	1.4
New Industries Development Program	0.3	0.3	0.2	0.1	<0.1	<0.1

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Table A.4 (continued)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Other measures						
25 per cent entrepreneurs' tax offset	-	-	-	0.2	0.2	0.3
Farm Innovation Program	<0.1	-	-	-	-	-
Scottsdale Industry and Community Development Fund	-	-	-	-	-	<0.1
Small business CG tax 50 percent reduction	0.6	1.6	-	-	-	-
Total[d]	*127.2*	*98.0*	*132.4*	*197.7*	*288.5*	*124.1*
Poultry farming						
Sector-specific measures						
Drought Relief Package	<0.1	<0.1	-	-	-	-
Exceptional circumstances – interest rate subsidy	<0.1	<0.1	<0.1	0.1	0.2	0.5
Exceptional circumstances – relief payments	2.0	1.5	2.0	3.3	4.9	0.2
Farm Help	0.1	-	<0.1	<0.1	<0.1	<0.1
Farm Management Deposits Scheme	0.5	0.3	0.4	0.3	0.4	0.5
Farm Bis Program	0.1	<0.1	<0.1	<0.1	<0.1	-
Income tax averaging provisions	1.3	0.8	0.5	0.5	0.8	0.6
Industry partnerships program	-	0.1	0.2	1.0	1.0	0.3
Interim Income Support	0.5	<0.1	<0.1	0.2	0.1	<0.1
Rural Financial Counselling Service	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1
Skilling farmers for the future	<0.1	-	-	-	-	-
Tax deduction for conserving or conveying water	<0.1	<0.1	0.2	0.2	0.2	0.2
Rural R&D measures						
Egg Research and Development	1.1	0.8	1.0	1.2	1.0	1.0
Rural Industries R&D Corporation	2.0	2.1	2.0	1.8	2.3	2.9
General export measures						
Export Market Development Grants Scheme	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1
General R&D measures						
Cooperative Research Centres	3.2	3.5	3.4	3.4	3.4	3.3
CSIRO	9.0	9.5	4.0	3.9	3.9	0.8
New Industries Development Program	0.1	0.1	<0.1	<0.1	<0.1	<0.1
Other measures						
25 per cent entrepreneurs' tax offset	-	-	-	<0.1	<0.1	<0.1
Farm Innovation Program	<0.1	-	-	-	-	-
Small business CG tax 50 percent reduction	0.9	-	-	-	-	-
Total	*21.1*	*18.7*	*14.2*	*16.3*	*18.4*	*10.6*

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Table A.4 (continued)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Other livestock farming						
Sector-specific measures						
Drought Relief Package	<0.1	<0.1	-	-	-	-
Exceptional circumstances – interest rate subsidy	1.2	1.3	3.0	5.4	8.4	5.4
Exceptional circumstances – relief payments	1.2	0.9	1.2	1.9	2.9	4.1
Farm Help	0.2	0.2	0.2	0.2	<0.1	<0.1
Farm Management Deposits Scheme	12.6	5.0	7.0	4.2	4.7	6.3
Farm Bis Program	0.3	<0.1	0.1	0.1	0.2	-
Income tax averaging provisions	5.1	3.0	1.9	2.2	3.4	2.8
Industry partnerships program	-	0.1	<0.1	<0.1	<0.1	<0.1
Interim Income Support	0.3	<0.1	<0.1	<0.1	<0.1	<0.1
Rural Financial Counselling Service	0.4	0.3	0.3	0.2	0.2	0.2
Skilling farmers for the future	<0.1	-	-	-	-	-
Tax deduction for conserving or conveying water	0.8	0.2	0.3	0.4	0.4	0.4
Rural R&D measures						
Pig Research and Development	4.6	4.2	3.6	3.4	3.7	2.8
Rural Industries R&D Corporation	1.1	1.2	1.2	1.8	2.4	2.1
General export measures						
Export Market Development Grants Scheme	0.4	0.5	0.5	0.8	0.5	0.8
General R&D measures						
Cooperative Research Centres	-	-	3.3	3.6	3.8	4.1
CSIRO	6.8	6.5	6.4	6.4	6.1	0.1
New Industries Development Program	0.2	0.3	0.2	0.1	<0.1	<0.1
Other measures						
25 per cent entrepreneurs' tax offset	-	-	-	0.1	0.1	0.2
Farm Innovation Program	<0.1	-	-	-	-	-
Small business CG tax 50 percent reduction	1.1	-	-	-	-	-
Total	*36.5*	*23.9*	*29.5*	*31.0*	*37.1*	*29.3*

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Table A.4 (continued)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Other crop growing						
Industry-specific measures						
Sugar Industry Reform Program	69.9	129.4	140.0	39.1	35.6	4.5
Tobacco Grower Adjustment Assistance	-	-	-	39.3	14.4	0.3
Sector-specific measures						
Drought Relief Package	0.2	<0.1	-	-	-	-
Exceptional circumstances – interest rate subsidy	3.4	3.7	8.6	15.4	23.8	7.8
Exceptional circumstances – relief payments	13.3	10.2	13.5	22.1	32.8	0.9
Farm Help	2.5	1.4	0.9	0.7	0.2	0.1
Farm Management Deposits Scheme	14.0	5.5	7.8	6.7	8.9	11.8
Farm Bis Program	0.9	<0.1	0.1	<0.1	0.2	-
Income tax averaging provisions	5.0	5.7	7.7	6.2	9.7	7.9
Industry partnerships program	-	0.1	-	-	-	-
Interim Income Support	3.6	0.2	<0.1	1.0	0.7	0.1
Rural Financial Counselling Service	0.1	0.1	0.1	0.7	0.6	0.7
Skilling farmers for the future	0.1	-	-	-	-	-
Tax deduction for conserving or conveying water	5.4	2.7	2.9	3.3	3.3	3.3
Rural R&D measures						
Cotton Research and Development Corporation	4.8	4.3	4.9	4.6	3.1	2.4
Rural Industries R&D Corporation	0.7	0.6	0.8	0.8	0.9	0.8
Sugar Research and Development Corporation	5.2	3.8	5.2	5.5	6.3	6.1
General export measures						
Export Market Development Grants Scheme	0.2	0.1	0.2	0.4	0.2	0.4
TRADEX	<0.1	-	-	-	-	-
General R&D measures						
Biotechnology Innovation Fund	0.2	0.2	0.1	-	-	-
Commercial Ready Program	-	-	<0.1	<0.1	0.6	-
COMET Program	<0.1	<0.1	<0.1	-	0.1	0.2
Cooperative Research Centres	8.3	6.6	8.1	8.8	9.1	8.6
CSIRO	26.8	30.4	25.1	31.3	23.3	7.1
New Industries Development Program	0.1	0.1	<0.1	<0.1	<0.1	<0.1
R&D Start	-	0.0	-	-	-	-
R&D tax concession	0.3	0.4	0.3	-	-	-

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Table A.4 (continued)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Other measures						
25 per cent entrepreneurs' tax offset	-	-	-	<0.1	<0.1	0.1
Farm Innovation Program	<0.1	-	-	-	-	-
Scottsdale Industry and Community Development Fund	-	-	-	-	0.3	-
Small business CG tax 50 percent reduction	-	-	0.3	-	-	-
Small business CG tax asset exemption	-	-	-	0.6	0.9	1.2
Small business CG tax retirement exemption	-	-	-	1.7	2.8	3.2
Total[e]	*165.1*	*205.7*	*226.9*	*188.3*	*178.0*	*67.6*
Services to agriculture (inc hunting and trapping)						
Industry-specific measures						
Renewable Energy Equity Fund	-	-	0.5	-	-	-
Sector-specific measures						
Drought Relief Package	<0.1	<0.1	-	-	-	-
Exceptional circumstances – interest rate subsidy	<0.1	<0.1	<0.1	<0.1	<0.1	1.2
FarmBis Program	0.1	-	<0.1	<0.1	<0.1	-
Income tax averaging provisions	6.6	4.0	3.0	2.6	4.1	3.3
Skilling farmers for the future	<0.1	-	-	-	-	-
Tax deduction for conserving or conveying water	0.3	0.7	1.5	0.9	0.9	0.9
General export measures						
Export Market Development Grants Scheme	0.6	0.1	0.3	0.5	0.5	0.7
TRADEX	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1
General R&D measures						
Biotechnology Innovation Fund	0.9	0.5	0.2	<0.1	-	-
Commercial Ready Program	-	<0.1	1.0	1.1	1.2	0.9
COMET Program	0.1	0.2	0.3	<0.1	<0.1	<0.1
R&D Start	1.3	1.1	0.2	<0.1	-	-
R&D tax concession	1.0	1.8	1.2	0.5	0.6	0.7
R&D tax offset for small companies	1.4	1.1	1.4	1.6	2.2	2.8

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Table A.4 (continued)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Other measures						
25 per cent entrepreneurs' tax offset	-	-	-	0.7	0.9	1.1
Farm Innovation Program	<0.1	-	-	-	-	-
Industry Cooperative Innovation Program	-	-	-	0.3	<0.1	-
Innovation Investment Fund for South Australia	-	-	-	-	0.2	-
Scottsdale Industry and Community Development Fund	-	-	-	-	0.1	-
Small business CG tax 50 percent reduction	0.5	1.6	0.7	0.4	0.6	0.8
Small business programs	-	-	0.4	-	-	-
Total	*12.9*	*11.2*	*10.9*	*8.8*	*11.5*	*12.5*
Forestry and logging						
Industry-specific measures						
12-month prepayment rule	-15.0	40.0	40.0	-10.0	-5.0	-95.0
Forest Industry Structural Adjustment	21.5	21.3	9.7	30.6	-	-
Sector-specific measures						
Exceptional circumstances – interest rate subsidy	-	-	-	-	-	<0.1
Farm Management Deposits Scheme	0.3	0.1	0.2	1.3	3.0	4.1
Income tax averaging provisions	2.7	2.4	2.0	1.9	3.0	2.4
Industry partnerships program	-	0.1	-	0.4	<0.1	<0.1
Rural Financial Counselling Service	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1
Tax deduction for conserving or conveying water	<0.1	0.8	0.1	0.3	0.3	0.3
Rural R&D measures						
Forest and Wood Products R&D	1.6	1.4	1.4	1.8	2.0	2.2
Rural Industries R&D Corporation	1.7	1.3	1.8	1.0	0.9	1.1
General export measures						
Export Market Development Grants Scheme	<0.1	-	<0.1	<0.1	<0.1	<0.1
General R&D measures						
Commercial Ready Program	-	-	0.6	1.1	0.6	0.4
COMET Program	<0.1	<0.1	-	-	-	-
Cooperative Research Centres	2.6	0.4	2.7	3.3	4.2	4.7
CSIRO	15.0	10.0	13.3	4.6	18.0	6.3
R&D tax concession	0.2	0.2	0.4	0.2	0.2	0.2
R&D tax offset for small companies	1.2	-	1.6	1.3	1.8	2.3

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Table A.4 (continued)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Other measures						
25 per cent entrepreneurs' tax offset	-	-	-	0.2	0.3	0.4
Eden Structural Adjustment	<0.1	-	-	-	-	-
Farm Innovation Program	<0.1	-	-	-	-	-
Scottsdale Industry and Community Development Fund	-	-	-	-	0.4	0.2
Small business CG tax 50 percent reduction	0.5	0.5	0.3	-	-	-
Total	*32.5*	*78.6*	*74.1*	*38.0*	*29.8*	*-70.3*
Commercial fishing						
Industry-specific measures						
Aquaculture Industry Action Agenda	2.5	1.0	-	-	-	-
Fisheries Structural Adjustment Package	-	-	1.3	159.9	25.3	16.7
Fishing Structural Adjustment Package – Management Levy Subsidy	-	-	-	-	5.0	-
Great Barrier Reef Structural Adjustment	-	49.1	32.6	65.9	67.8	-
Sector-specific measures						
Exceptional circumstances – interest rate subsidy	-	-	-	-	-	<0.1
Exceptional circumstances – relief payments	-	-	-	-	-	0.2
Farm Help	<0.1	1.2	<0.1	<0.1	<0.1	<0.1
Farm Management Deposits Scheme	1.6	0.6	0.7	0.6	1.3	1.8
Farm Bis Program	3.7	1.6	0.3	0.5	0.8	-
Income tax averaging provisions	7.2	5.9	5.3	6.2	9.8	8.0
Industry partnerships program	-	0.4	0.4	0.5	0.2	<0.1
Rural Financial Counselling Service	<0.1	<0.1	0.1	<0.1	<0.1	<0.1
Skilling farmers for the future	0.4	-	-	-	-	-
Tax deduction for conserving or conveying water	-	-	<0.1	-	-	-
Rural R&D measures						
Fishing industry R&D	17.7	16.9	16.0	16.0	16.3	16.3
Fisheries Research Program	-	-	-	-	-	1.9
Fisheries Resources Research Fund	-	3.8	3.1	3.1	3.1	3.2
Torres Strait Prawn Fisheries Program	-	-	-	0.6	21.1	0.2

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Table A.4 (continued)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
General export measures						
Export Market Development Grants Scheme	0.5	0.4	0.5	0.7	0.3	0.5
TRADEX	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1
General investment measures						
Development allowance	0.4	0.3	0.2	<0.1	<0.1	-
General R&D measures						
Commercial Ready Program	-	<0.1	1.6	3.0	3.4	1.9
COMET Program	<0.1	<0.1	<0.1	<0.1	<0.1	-
Cooperative Research Centres	2.7	2.6	2.6	2.6	6.5	5.2
CSIRO	10.2	9.7	7.4	9.2	10.8	15.9
New Industries Development Program	0.3	0.3	0.3	0.2	<0.1	<0.1
Premium R&D tax concession	-	-	<0.1	0.1	0.2	0.2
R&D Start	2.2	1.8	1.1	0.3	<0.1	-
R&D Start Loans	-	-	<0.1	-	-	-
R&D tax concession	0.6	1.0	1.3	1.8	2.2	2.6
R&D tax offset for small companies	4.4	4.9	5.2	5.2	7.1	9.1
Other measures						
25 per cent entrepreneurs' tax offset	-	-	-	0.7	0.9	1.1
Australian Tourism Development Program	-	-	-	-	<0.1	-
Eden Structural Adjustment	<0.1	-	-	-	-	-
Farm Innovation Program	<0.1	-	-	-	-	-
Industry Cooperative Innovation Program	-	-	0.1	0.2	0.2	0.3
Small business CG tax 50 percent reduction	0.9	2.8	0.6	4.1	6.4	7.7
Small business CG tax retirement exemption	-	-	-	2.4	4.1	4.6
Small business capital gains tax exemption	-	1.9	-	-	-	-
Total	*55.7*	*106.4*	*80.9*	*284.0*	*192.9*	*97.4*

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Table A.4 (continued)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Unallocated primary production						
Industry-specific measures						
Australian animal health laboratory	6.2	6.8	6.9	7.0	7.2	7.1
Exotic Disease Preparedness program	3.0	1.2	0.8	0.9	0.9	1.0
Sector-specific measures						
Agricultural development partnership	0.2	1.0	-	-	-	-
Caring for our country – landcare	-	-	-	-	9.0	35.2
Climate Change Adjustment Program	-	-	-	-	-	3.5
Drought assistance – Murray Darling Basin grants to irrigators	-	-	-	-	144.3	60.4
Drought assistance – professional advice	-	-	-	-	6.2	14.2
Drought assistance – re-establishment assistance	-	-	-	-	4.6	17.6
Drought assistance – technical information workshop	-	-	-	-	6.1	-
Drought Relief Package	<0.1	<0.1	-	-	-	-
Exceptional circumstances – interest rate subsidy	<0.1	<0.1	<0.1	<0.1	<0.1	3.9
Exceptional circumstances – relief payments	-	-	-	-	-	22.8
Farm Help	0.3	0.4	0.3	0.3	<0.1	<0.1
Farm Bis Program	1.1	0.3	0.1	0.1	0.2	-
Industry Partnerships Program	-	0.2	0.2	-	0.3	0.1
National landcare program	39.1	39.3	37.0	37.0	26.8	-
Promoting Australian Produce Program	-	-	-	-	-	3.0
Regional assistance	4.7	-	-	0.5	0.1	-
Rural Financial Counselling Service	1.2	1.0	1.0	2.1	2.8	3.0
Skilling farmers for the future	0.1	-	-	-	-	-
Sustainable Rural Water Use and Infrastructure Program	-	-	-	-	0.1	17.3

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Table A.4 (continued)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Rural R&D measures						
Climate Change Adaptation Partnerships Program	-	-	-	-	-	10.1
Climate Change and Productivity Research Program	-	-	-	-	-	10.0
Land and water resources R&D	12.2	12.5	12.5	12.8	13.0	13.0
National Weeds and Productivity Research Program	-	-	-	-	-	3.1
Rural Industries R&D Corporation	4.8	5.2	5.4	5.8	5.4	5.9
General R&D measures						
Biotechnology Innovation Fund	0.2	-	-	-	-	-
Cooperative Research Centres	19.4	20.8	22.0	23.3	23.8	23.1
CSIRO	23.2	21.7	22.3	18.8	17.5	30.3
Major national research facilities	1.1	1.3	1.3	-	-	-
R&D Start	1.7	-	-	-	-	-
Other measures						
Tasmanian Freight Equalisation Scheme	6.0	9.2	8.4	9.3	11.6	11.3
Total	*124.8*	*120.8*	*118.2*	*117.9*	*280.0*	*307.1*
Total outlays	**935.4**	**960.2**	**1 097.5**	**1 554.9**	**1 878.1**	**1 440.0**
Total tax expenditures	**438.7**	**310.5**	**299.1**	**201.8**	**292.2**	**228.8**
Total budgetary assistance	**1 374.1**	**1 270.7**	**1 396.6**	**1 756.7**	**2 170.2**	**1 668.8**

- Nil. Figures may not add to totals due to rounding. [a] The estimates are derived primarily from Australian Government departmental annual reports and Treasury's Tax Expenditure Statements and unpublished information provided by relevant agencies. [b] 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 Australian Government, the scheme may provide assistance to agricultural exporters. However, net National Interest Business outlays provide only a weak indication of any assistance provided. [c] Excludes assistance derived from NSW statutory marketing arrangements for rice, which the Commission categorises as 'agricultural pricing and regulatory assistance' rather than budgetary assistance. The arrangements ended on 1 July 2006. [d] Does not include funding provided under the Australian Government's Dairy Industry Adjustment Package, which has been included in the estimates of 'agricultural pricing and regulatory assistance' reported in recent *Reviews*. The Commission estimates that the package provided dairy farmers remaining in the industry with assistance totalling $120.1 million in 2007-08. [e] Does not include funding of $18 million and $9 million in 2002-03 and 2003-04, respectively, provided under the Australian Government's 2002 Sugar Industry Reform Program. This assistance has been included in the estimates of 'agricultural pricing and regulatory assistance'.

Source: Commission estimates.

Table A.5 **Australian Government budgetary assistance to mining, 2003-04 to 2008-09**[a]

$ million (nominal)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Industry-specific measures						
Greenhouse gas abatement program	0.7	0.6	0.6	0.9	0.4	<0.1
National Low Emissions Coal Initiative	-	-	-	-	-	8.7
Regional minerals program	0.3	0.3	-	-	-	-
Renewable Energy Development Initiative	-	-	-	0.3	0.5	0.8
Sector-specific measures						
Capital expenditure deduction for mining	20.0	30.0	25.0	25.0	20.0	15.0
General export measures						
Export Market Development Grants Scheme	1.4	1.4	1.3	2.2	1.6	1.5
TRADEX	1.9	0.2	0.5	0.6	0.6	0.5
General investment measures						
Development allowance	21.4	14.3	8.9	3.6	0.2	-
General R&D measures						
Biotechnology Innovation Fund	<0.1	0.1	<0.1	-	-	-
Commercial Ready Program	-	0.1	2.4	6.3	9.2	3.7
COMET Program	0.2	0.2	<0.1	<0.1	<0.1	0.1
Cooperative Research Centres	10.2	10.5	10.9	9.3	8.1	3.6
CSIRO	40.2	42.1	39.7	47.0	47.6	60.4
Innovation Investment Fund	-	-	0.9	0.6	0.3	0.4
Major national research facilities	1.2	1.3	1.3	-	-	-
New Industries Development Program	0.1	0.1	<0.1	<0.1	<0.1	<0.1
Premium R&D tax concession	16.6	22.3	55.9	74.3	121.9	125.8
R&D Start	3.3	1.6	2.7	1.2	0.1	<0.1
R&D Start Loans	-	-	<0.1	-	-	-
R&D tax concession	49.8	64.3	87.7	112.6	138.8	162.4
R&D tax offset for small companies	8.2	11.4	18.7	16.9	22.9	29.4

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Table A.5 (continued)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Other measures						
25 per cent entrepreneurs' tax offset	-	-	-	0.2	0.3	0.3
Beaconsfield Community Fund	-	-	-	3.2	-	-
Innovation Investment Fund for South Australia	-	-	-	-	-	0.3
Small business CG tax 50 percent reduction	0.6	1.5	2.2	2.2	3.4	4.1
Small business CG tax retirement exemption	-	-	0.9	1.4	2.4	2.7
Total outlays	**65.8**	**69.8**	**78.9**	**87.9**	**90.8**	**109.3**
Total tax expenditures	**110.4**	**132.6**	**181.2**	**219.9**	**287.6**	**310.8**
Total budgetary assistance	**176.2**	**202.4**	**260.0**	**307.9**	**378.4**	**420.1**

- Nil. Figures may not add to totals due to rounding. [a] The estimates are derived primarily from Australian Government departmental annual reports and Treasury's Tax Expenditure Statements and unpublished information provided by relevant agencies.

Source: Commission estimates.

Table A.6 **Australian Government budgetary assistance to manufacturing industry groups, 2003-04 to 2008-09[a]**

$ million (nominal)

	2003-04	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Food, beverages and tobacco						
Industry-specific measures						
Brandy preferential excise rate	5.0	4.0	4.0	5.0	5.0	5.0
Food Processing in Regional Australia	-	-	3.6	4.2	2.3	-
National food industry strategy	12.1	14.5	18.0	15.6	0.5	-
Renewable Energy Development Initiative	-	-	-	0.8	-	1.8
Tasmanian wheat freight subsidy	0.4	0.2	-	-	-	-
Sector-specific measures						
Rural Financial Counselling Service	0.2	0.2	0.3	-	-	-
General export measures						
Export Market Development Grants Scheme	11.8	11.6	15.2	15.4	13.7	15.9
TRADEX	0.7	1.2	0.8	0.9	0.9	0.8
General investment measures						
Development allowance	0.8	0.5	0.3	0.1	<0.1	-
General R&D measures						
Biotechnology Innovation Fund	0.1	<0.1	-	-	-	-
Commercial Ready Program	-	<0.1	0.8	1.1	1.6	2.0
COMET Program	<0.1	<0.1	<0.1	<0.1	0.1	<0.1
Cooperative Research Centres	2.7	2.6	2.6	2.6	2.6	0.4
CSIRO	26.5	7.3	27.8	10.3	18.6	18.2
Innovation Investment Fund	-	-	-	0.2	-	-
New Industries Development Program	0.4	0.4	0.3	0.2	<0.1	<0.1
Premium R&D tax concession	4.7	2.7	2.9	2.5	4.0	4.2
R&D Start	0.8	0.6	0.1	2.3	0.2	0.3
R&D Start Loans	-	-	0.7	-	-	-
R&D tax concession	9.4	8.7	9.9	11.9	14.7	17.2
R&D tax offset for small companies	2.1	2.7	2.1	3.1	4.2	5.3

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Table A.6 (continued)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Other measures						
25 per cent entrepreneurs’ tax offset	-	-	-	0.1	0.2	0.2
Australia HomeGrown Campaign	-	-	0.5	1.8	0.9	-
Australian Tourism Development Program	-	-	-	-	<0.1	-
Eden Structural Adjustment	0.1	-	-	-	-	-
Innovation Investment Fund for South Australia	-	-	-	-	2.3	1.6
Scottsdale Industry and Community Development Fund	-	-	-	-	<0.1	-
Small business CG tax 50 percent reduction	4.2	9.1	10.4	7.7	11.9	14.5
Small business CG tax retirement exemption	1.5	1.6	3.0	5.5	9.3	10.5
Small business capital gains tax exemption	1.7	4.3	3.6	3.0	3.9	6.2
Small business programs	-	-	0.6	-	-	-
Tasmanian Freight Equalisation Scheme	13.6	15.7	16.8	16.3	17.5	20.0
Total	*98.7*	*88.1*	*124.4*	*110.7*	*114.7*	*124.0*
Textiles, clothing, footwear and leather						
Industry-specific measures						
Howe leather – loan repayment	-2.3	-2.5	-2.4	-3.2	-3.4	-3.1
TCF Development	<0.1	-	0.5	-	-	-
TCF Project Diversification Scheme	-	-	-	5.0	5.0	4.5
TCF Small Business Program	-	-	-	2.2	2.0	2.1
TCF Strategic Investment Program	119.1	123.7	123.8	-	-	-
TCF Strategic Investment Program – Post 2005	-	-	4.3	96.2	97.4	96.5
TCF Structural Adjustment Scheme	-	-	2.8	3.0	2.3	1.3
General export measures						
Export Market Development Grants Scheme	4.1	3.5	4.2	4.2	5.3	7.9
TRADEX	14.4	8.3	5.9	7.2	7.2	6.1

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Table A.6 (continued)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
General R&D measures						
Commercial Ready Program	-	-	-	-	0.7	0.9
COMET Program	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1
CSIRO	14.8	15.0	13.4	13.8	9.8	5.0
Premium R&D tax concession	0.1	0.1	-	<0.1	0.1	0.1
R&D Start	0.6	<0.1	-	-	-	-
R&D tax concession	0.4	0.5	0.5	0.4	0.5	0.6
R&D tax offset for small companies	1.1	1.6	2.3	0.7	1.0	1.3
Other measures						
25 per cent entrepreneurs' tax offset	-	-	-	0.7	0.8	1.0
Australian Tourism Development Program	-	-	-	-	<0.1	-
Small business CG tax 50 percent reduction	1.6	1.4	1.6	0.4	0.7	0.8
Small business CG tax retirement exemption	-	-	1.4	1.7	2.9	3.3
Small business capital gains tax exemption	-	-	0.4	-	-	-
Tasmanian Freight Equalisation Scheme	0.6	0.5	0.5	0.5	0.4	0.6
Total	*154.8*	*152.3*	*159.3*	*132.8*	*133.0*	*128.9*
Wood and paper products						
Industry-specific measures						
Australia's Forest Industry – Preparing for the Future	-	-	-	-	-	3.3
Integrated Forest Products Grant	-	-	-	-	4.0	-
Investment incentives to Visy industries	2.9	-	-	-	-	-
Tasmanian Community Forest Agreement	-	-	-	-	26.0	35.3
Rural R&D measures						
Forest and Wood Products R&D Corporation	1.6	1.5	1.6	1.2	1.4	1.5
General export measures						
Export Market Development Grants Scheme	1.2	0.9	0.8	0.7	1.0	0.9
TRADEX	<0.1	<0.1	0.6	0.7	0.7	0.6
General investment measures						
Development allowance	0.2	0.2	<0.1	<0.1	<0.1	-

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Table A.6 (continued)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
General R&D measures						
Commercial Ready Program	-	0.2	-	1.8	2.4	0.4
COMET Program	<0.1	<0.1	-	<0.1	0.1	<0.1
Cooperative Research Centres	6.4	5.4	5.3	3.5	2.3	-
CSIRO	2.2	1.5	2.1	6.9	0.4	2.3
Premium R&D tax concession	-	-	0.7	2.1	3.5	3.6
R&D Start	<0.1	0.2	0.3	0.1	-	-
R&D tax concession	3.3	2.5	2.5	4.8	5.9	6.9
R&D tax offset for small companies	0.7	1.6	2.1	1.0	1.3	1.7
Other measures						
25 per cent entrepreneurs' tax offset	-	-	-	0.3	0.4	0.5
Scottsdale Industry and Community Development Fund	-	-	-	-	2.4	1.1
Small business CG tax 50 percent reduction	0.8	1.3	2.7	1.2	1.8	2.2
Small business capital gains tax retirement exemption	-	0.5	4.5	-	-	-
Tasmanian Freight Equalisation Scheme	19.5	19.4	21.5	18.8	19.3	23.0
Total	*38.9*	*35.2*	*44.7*	*43.2*	*72.8*	*83.2*
Printing, publishing and recorded media						
Industry-specific measures						
Enhanced printing industry competitiveness	1.6	-	-	-	-	-
Extended printing industry competitiveness	11.2	-	-	-	-	-
General export measures						
Export Market Development Grants Scheme	3.2	2.2	3.4	0.4	0.7	0.6
TRADEX	0.3	0.2	0.2	0.3	0.3	0.2
General investment measures						
Development allowance	<0.1	<0.1	<0.1	<0.1	<0.1	-
General R&D measures						
Commercial Ready Program	-	-	<0.1	0.8	11.0	1.1
COMET Program	<0.1	<0.1	<0.1	0.2	0.2	<0.1
CSIRO	0.6	0.3	0.5	2.2	-	0.6
Premium R&D tax concession	-	-	0.2	0.3	0.5	0.5
R&D Start	0.6	0.3	0.4	0.3	0.9	-
R&D tax concession	0.6	0.8	0.7	0.9	1.1	1.3
R&D tax offset for small companies	2.0	2.2	2.1	1.8	2.4	3.1

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Table A.6 (continued)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Other measures						
25 per cent entrepreneurs' tax offset	-	-	-	0.2	0.3	0.3
Scottsdale Industry and Community Development Fund	-	-	-	-	0.3	-
Small business CG tax 50 percent reduction	2.9	2.4	1.6	2.0	3.1	3.7
Small business CG tax retirement exemption	0.5	0.6	2.5	0.8	1.3	1.5
Total	*23.4*	*8.9*	*11.7*	*10.1*	*22.1*	*13.0*
Petroleum, coal, chemical and associated products						
Industry-specific measures						
Biofuels Infrastructure Grants	-	2.1	11.5	3.7	7.2	-
Ethanol production subsidy	10.8	8.6	15.4	31.9	56.7	79.8
Greenhouse gas abatement program	3.0	2.7	2.9	3.9	1.6	0.3
Pharmaceutical industry development program	59.3	0.4	-	-	-	-
Pharmaceutical partnerships program	-	4.2	12.4	18.4	18.5	8.1
Product Stewardship (Oil) program	6.4	5.5	5.4	4.4	-	-
Renewable Energy Development Initiative	-	-	-	-	1.6	0.7
Renewable Energy Equity Fund	-	0.8	2.8	0.2	0.1	-
General export measures						
Export Market Development Grants Scheme	4.9	4.8	4.5	7.5	7.1	8.1
TRADEX	3.0	2.0	2.1	2.6	2.6	2.2
General investment measures						
Development allowance	1.9	1.2	0.8	0.3	<0.1	-

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Table A.6 (continued)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
General R&D measures						
Biotechnology Australia	2.1	5.0	3.1	3.0	-	-
Biotechnology Innovation Fund	1.5	0.6	0.8	0.1	-	-
Commercial Ready Program	-	0.1	10.6	12.6	9.2	5.9
COMET Program	0.5	0.2	0.2	0.3	0.6	0.5
Cooperative Research Centres	12.0	7.3	9.1	9.1	13.9	8.5
CSIRO	4.6	5.4	5.0	4.2	3.8	1.8
Innovation Investment Fund	7.5	0.6	-	-	-	-
National Stem Cell Centre	4.6	5.8	7.1	6.5	6.0	5.5
New Industries Development Program	0.2	0.3	0.2	0.1	<0.1	<0.1
Premium R&D tax concession	6.7	3.1	4.6	10.7	17.6	18.1
Preseed fund	-	0.5	-	-	0.5	-
R&D Start	10.5	9.3	4.9	1.7	0.4	0.1
R&D tax concession	13.9	12.3	12.9	15.7	19.4	22.7
R&D tax offset for small companies	8.8	11.7	12.5	11.7	15.9	20.5
Other measures						
25 per cent entrepreneurs' tax offset	-	-	-	0.1	0.1	0.2
Farm Innovation Program	<0.1	-	-	-	-	-
Industry Cooperative Innovation Program	-	-	0.2	0.6	-	-
Scottsdale Industry and Community Development Fund	-	-	-	-	-	0.1
Small business CG tax 50 percent reduction	0.3	1.9	1.4	2.9	4.5	5.5
Small business CG tax retirement exemption	0.5	1.2	-	2.2	3.8	4.2
Structural Adjustment Fund for South Australia	-	2.7	-	-	-	-
Total	*162.9*	*100.3*	*130.5*	*154.5*	*191.3*	*193.0*
Non-metallic mineral products						
Industry-specific measures						
Renewable Energy Development Initiative	-	-	-	-	4.9	-
General export measures						
Export Market Development Grants Scheme	0.7	0.6	0.9	0.7	0.9	0.5
TRADEX	<0.1	0.4	0.2	0.3	0.3	0.2
General investment measures						
Development allowance	0.1	<0.1	<0.1	<0.1	<0.1	-

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Table A.6 (continued)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
General R&D measures						
Commercial Ready Program	-	-	1.0	1.2	1.2	0.4
COMET Program	0.1	-	<0.1	0.1	0.5	0.2
CSIRO	3.6	3.0	2.8	2.5	0.1	0.4
Premium R&D tax concession	-	0.2	0.7	1.9	3.2	3.3
Preseed fund	-	-	0.2	0.8	-	-
R&D Start	0.2	0.8	0.6	1.2	0.1	<0.1
R&D tax concession	4.4	4.2	5.5	4.4	5.5	6.4
R&D tax offset for small companies	1.7	2.2	4.7	4.0	5.4	6.9
Other measures						
25 per cent entrepreneurs' tax offset	-	-	-	0.2	0.2	0.2
Small business CG tax 50 percent reduction	0.3	1.9	0.8	1.1	1.6	2.0
Small business CG tax retirement exemption	-	-	-	1.0	1.8	2.0
Small business capital gains tax exemption	-	0.9	-	-	-	-
Total	*11.1*	*14.2*	*17.6*	*19.4*	*25.7*	*22.6*
Metal products						
Industry-specific measures						
Australian Magnesium Corporation	84.6	-	-	-	-	-
Greenhouse gas abatement program	2.0	1.8	1.9	2.6	1.1	0.2
Investment incentives to Hismelt – grant	-	50.0	50.0	55.0	20.0	-
Investment incentives to Hismelt – loan	45.7	45.7	-	-	-	-
General export measures						
Export Market Development Grants Scheme	2.3	2.0	1.5	2.2	3.3	3.7
TRADEX	4.1	1.4	1.8	2.2	2.2	1.9
General investment measures						
Development allowance	11.0	7.3	4.6	1.8	<0.1	-

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Table A.6 (continued)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
General R&D measures						
Commercial Ready Program	-	<0.1	2.1	3.6	2.4	2.4
COMET Program	<0.1	0.1	0.4	0.3	0.5	0.3
Cooperative Research Centres	8.3	7.2	8.0	8.1	8.3	8.6
CSIRO	40.1	44.5	41.9	47.1	47.3	27.1
Premium R&D tax concession	1.5	12.0	9.0	24.7	40.6	41.8
R&D Start	5.7	1.5	1.3	1.4	1.1	-
R&D tax concession	16.2	18.6	25.7	35.0	43.2	50.5
R&D tax offset for small companies	7.2	7.1	6.4	5.5	7.5	9.7
Other measures						
25 per cent entrepreneurs' tax offset	-	-	-	1.1	1.4	1.7
Industry Cooperative Innovation Program	-	-	-	<0.1	<0.1	-
Innovation Investment Fund for South Australia	-	-	-	-	-	0.3
Small business CG tax 50 percent reduction	7.4	4.7	4.4	4.4	6.8	8.2
Small business CG tax asset exemption	-	0.4	0.3	0.4	0.6	0.8
Small business CG tax retirement exemption	1.8	3.0	-	2.7	4.6	5.2
Small business capital gains tax exemption	0.9	0.6	2.9	-	-	-
Tasmanian Freight Equalisation Scheme	2.8	3.7	2.4	2.9	3.4	3.5
Total	*241.7*	*211.9*	*164.7*	*201.0*	*194.5*	*165.9*
Motor vehicles and parts						
Industry-specific measures						
ACL Bearings	-	-	-	-	2.0	-
Automotive competitiveness and investment scheme – Stage 1	584.3	568.8	479.8	-	-	-
Automotive competitiveness and investment scheme – Stage 2	0.5	0.9	-	537.0	506.9	479.1
Automotive incentives – Ford	-	-	32.5	-	-	-
Automotive Industry Structural Adjustment Program	-	-	-	-	-	7.9
Automotive Supply Chain Development Program	-	-	-	-	-	<0.1
Investment incentive for Holden	-	-	-	2.0	2.0	-
General export measures						
Export Market Development Grants Scheme	1.8	1.4	1.5	1.2	1.0	1.6
TRADEX	74.3	60.5	38.3	46.9	46.8	39.7

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Table A.6 (continued)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
General investment measures						
Development allowance	2.4	1.6	1.0	0.4	<0.1	-
General R&D measures						
Commercial Ready Program	-	-	1.3	2.2	0.8	0.5
COMET Program	0.2	0.1	<0.1	0.1	0.4	0.2
Cooperative Research Centres	-	-	4.6	5.1	6.5	6.3
CSIRO	1.0	1.4	1.2	1.4	1.1	0.5
Premium R&D tax concession	16.2	9.4	1.0	3.7	6.1	6.3
Preseed fund	-	-	0.3	-	<0.1	<0.1
R&D Start	0.6	0.4	<0.1	-	-	<0.1
R&D Start Loans	-	-	<0.1	-	-	-
R&D tax concession	24.8	26.2	12.1	13.5	16.7	19.5
R&D tax offset for small companies	4.4	4.5	6.3	4.3	5.8	7.5
Other measures						
25 per cent entrepreneurs' tax offset	-	-	-	<0.1	0.1	0.2
Industry Cooperative Innovation Program	-	-	-	<0.1	<0.1	-
Small business CG tax 50 percent reduction	1.7	2.2	-	2.1	3.2	3.8
Total	*712.1*	*677.4*	*580.2*	*620.0*	*599.4*	*573.3*
Other transport equipment						
Industry-specific measures						
Aerospace incentives – Hawker de Havilland	-	-	10.0	2.5	-	-
Shipbuilding bounty	6.8	0.8	-	-	-	-
Shipbuilding innovation scheme	7.0	2.1	-	-	-	-
General export measures						
Export Market Development Grants Scheme	1.8	1.2	1.4	1.4	1.3	1.2
TRADEX	0.1	0.2	0.2	0.2	0.2	0.2
General R&D measures						
Commercial Ready Program	-	-	0.1	0.9	0.1	0.3
COMET Program	0.2	0.2	<0.1	<0.1	0.2	0.2
Cooperative Research Centres	5.1	4.7	4.3	3.7	5.7	6.9
CSIRO	1.8	2.6	2.2	2.6	2.6	5.4
Innovation Investment Fund	-	-	-	0.3	0.7	0.2
Major national research facilities	1.1	1.3	1.3	-	-	-
Premium R&D tax concession	0.6	0.3	4.0	3.1	5.0	5.2
R&D Start	2.2	1.6	1.2	<0.1	<0.1	-
R&D tax concession	8.3	5.4	5.8	6.1	7.5	8.8
R&D tax offset for small companies	2.2	2.9	3.6	3.5	4.8	6.1

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Table A.6 (continued)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Other measures						
25 per cent entrepreneurs' tax offset	-	-	-	0.4	0.5	0.7
Industry Cooperative Innovation Program	-	-	-	-	-	0.3
Scottsdale Industry and Community Development Fund	-	-	-	-	-	0.2
Small business CG tax 50 percent reduction	0.9	1.2	1.4	2.2	3.4	4.2
Total	*38.1*	*24.1*	*35.6*	*27.0*	*32.2*	*39.6*
Other machinery and equipment						
Industry-specific measures						
Renewable Energy Development Initiative	-	0.2	0.2	1.1	1.9	0.2
Renewable Energy Equity Fund	-	0.3	0.1	<0.1	-	-
Wind turbine industry assistance	-	-	-	0.7	-	-
General export measures						
Export Market Development Grants Scheme	15.0	12.8	13.2	15.1	13.7	16.2
TRADEX	3.9	4.3	4.7	5.8	5.7	4.9
General investment measures						
Development allowance	0.2	0.1	<0.1	<0.1	<0.1	-
General R&D measures						
Biotechnology Innovation Fund	0.7	1.1	0.7	<0.1	-	-
Commercial Ready Program	-	0.4	14.7	36.5	28.2	17.0
COMET Program	1.2	1.4	1.4	1.6	2.2	1.8
Cooperative Research Centres	14.5	11.7	8.3	5.5	2.5	3.9
CSIRO	15.4	14.8	17.6	15.6	13.9	19.6
Innovation Investment Fund	-	1.7	1.4	1.0	1.4	0.3
Major national research facilities	3.6	4.0	4.0	-	-	-
New Industries Development Program	0.1	0.1	0.1	<0.1	<0.1	<0.1
Premium R&D tax concession	7.1	4.3	5.4	7.9	13.0	13.4
Preseed fund	-	-	1.3	0.2	1.8	0.3
R&D Start	31.1	30.0	26.3	11.3	4.3	<0.1
R&D Start Loans	-	-	0.2	-	-	-
R&D tax concession	29.0	24.9	25.3	26.2	32.3	37.8
R&D tax offset for small companies	35.6	33.2	40.4	34.9	47.4	60.9

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Table A.6 (continued)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Other measures						
25 per cent entrepreneurs' tax offset	-	-	-	0.3	0.3	0.4
Industry Cooperative Innovation Program	-	-	0.2	0.3	<0.1	-
Innovation Investment Fund for South Australia	-	-	-	-	4.2	2.6
Scottsdale Industry and Community Development Fund	-	-	-	-	<0.1	-
Small business CG tax 50 percent reduction	3.4	2.2	4.1	4.8	7.4	9.0
Small business CG tax asset exemption	-	-	-	0.8	1.4	1.7
Small business CG tax retirement exemption	-	0.5	1.0	3.4	5.9	6.6
Small business capital gains tax exemption	-	-	1.3	-	-	-
Small business programs	0.2	0.2	-	-	-	-
Total	*160.9*	*148.2*	*171.9*	*173.1*	*187.6*	*196.5*
Other manufacturing						
Industry-specific measures						
Renewable Energy Development Initiative	-	-	-	0.5	0.7	-
Renewable Energy Equity Fund	0.1	-	-	-	-	-
General export measures						
Export Market Development Grants Scheme	9.4	8.1	6.0	2.7	3.9	6.0
TRADEX	16.4	4.5	1.9	2.3	2.3	1.9
General investment measures						
Development allowance	<0.1	<0.1	<0.1	<0.1	<0.1	-
General R&D measures						
Biotechnology Innovation Fund	1.7	-	0.1	<0.1	-	-
Commercial Ready Program	-	-	6.4	6.9	8.1	0.9
COMET Program	0.8	0.9	0.7	0.6	0.7	0.3
Cooperative Research Centres	-	-	-	-	2.5	4.1
CSIRO	7.6	9.2	10.0	10.0	15.7	-
Premium R&D tax concession	<0.1	0.2	0.2	<0.1	0.1	0.2
Preseed fund	1.0	-	-	-	-	-
R&D Start	27.1	<0.1	11.2	4.5	2.8	0.1
R&D Start Loans	-	-	0.3	-	-	-
R&D tax concession	1.0	1.1	0.9	0.9	1.1	1.3
R&D tax offset for small companies	2.3	3.2	3.2	3.8	5.2	6.7

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Table A.6 (continued)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Other measures						
25 per cent entrepreneurs' tax offset	-	-	-	0.5	0.7	0.8
Industry Cooperative Innovation Program	-	-	<0.1	0.2	0.2	-
Innovation Investment Fund for South Australia	-	-	-	-	0.3	-
Small business CG tax 50 percent reduction	0.8	0.7	2.0	1.6	2.4	3.0
Small business CG tax retirement exemption	-	-	2.3	0.7	1.2	1.4
Structural Adjustment Fund for South Australia	-	-	-	-	-	<0.1
Tasmanian Freight Equalisation Scheme	1.9	2.0	1.4	1.4	1.4	1.7
Total	*70.4*	*29.8*	*46.6*	*36.8*	*49.5*	*28.5*
Unallocated manufacturing						
Industry-specific measures						
Advanced electricity storage	-	-	-	0.5	2.8	8.7
General export measures						
Duty Drawback	105.9	121.1	117.0	103.9	107.2	118.4
General R&D measures						
Cooperative Research Centres	3.9	4.6	4.0	3.5	3.5	2.6
CSIRO	9.8	0.5	0.5	0.4	0.3	12.8
Energy Innovation Fund	-	-	-	-	-	5.8
Other measures						
Innovation Investment Fund for South Australia	-	-	-	-	-	0.2
Intermediary Access Program	-	-	-	1.1	-	-
Structural Adjustment Fund for South Australia	-	-	-	-	-	0.3
Tasmanian Freight Equalisation Scheme	38.0	38.7	40.3	39.4	46.4	48.2
Total	*157.6*	*164.9*	*161.7*	*148.8*	*160.2*	*196.9*
Total outlays	**862.2**	**687.4**	**800.5**	**721.0**	**759.5**	**723.8**
Total tax expenditures	**1 008.3**	**968.0**	**848.3**	**956.6**	**1 023.4**	**1 041.7**
Total budgetary assistance	**1 870.5**	**1 655.4**	**1 648.9**	**1 677.5**	**1 782.9**	**1 765.6**

- Nil. Figures may not add to totals due to rounding. [a] The estimates are derived primarily from Australian Government departmental annual reports and Treasury's Tax Expenditure Statements and unpublished information provided by relevant agencies.

Source: Commission estimates.

Table A.7 Australian Government budgetary assistance to services industry groups, 2003-04 to 2008-09[a]

$ million (nominal)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Electricity, gas and water supply						
Industry-specific measures						
Greenhouse gas abatement program	7.5	6.7	7.2	9.8	4.1	0.7
Low emission technology development fund	-	-	2.0	6.7	2.0	2.5
Remote renewable power generation program	-	-	28.7	13.8	29.9	39.1
Renewable energy commercialisation	9.2	1.4	1.7	1.5	-	-
Renewable Energy Development Initiative	-	2.2	3.3	5.0	1.8	6.1
Renewable Energy Equity Fund	1.0	0.5	0.3	-	-	-
General export measures						
Export Market Development Grants Scheme	0.3	0.4	0.5	0.8	0.6	0.6
TRADEX	-	<0.1	0.1	0.1	0.1	0.1
General investment measures						
Development allowance	1.2	0.8	0.5	0.2	<0.1	-
Infrastructure bonds scheme	10.4	10.4	10.4	7.8	2.6	2.6
Infrastructure borrowing's tax offsets scheme	7.2	2.9	1.0	-	-	-
General R&D measures						
Commercial Ready Program	-	-	0.5	1.1	0.9	0.7
COMET Program	0.3	0.2	0.2	0.2	0.7	0.6
Cooperative Research Centres	7.3	6.8	5.6	4.5	4.1	-
CSIRO	17.4	19.9	22.8	19.8	28.0	22.3
Innovation Investment Fund	-	-	-	-	2.2	-
Premium R&D tax concession	-	3.3	1.9	1.8	2.9	3.0
Preseed fund	-	-	<0.1	0.4	-	-
R&D Start	3.2	1.6	<0.1	-	-	-
R&D tax concession	3.1	3.7	3.2	2.8	3.5	4.1
R&D tax offset for small companies	4.5	4.7	4.8	2.4	3.3	4.3

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Table A.7 (continued)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Other measures						
25 per cent entrepreneurs’ tax offset	-	-	-	0.2	0.3	0.4
Industry Cooperative Innovation Program	-	-	-	0.1	<0.1	0.1
Innovation Investment Fund for South Australia	-	-	-	-	-	0.4
Small business CG tax 50 percent reduction	1.2	1.7	3.9	2.0	3.1	3.7
Small business CG tax retirement exemption	-	2.1	2.4	1.0	1.7	1.9
Small business capital gains tax exemption	0.5	-	1.4	-	-	-
Total	*74.2*	*69.2*	*102.4*	*82.3*	*91.7*	*93.2*
Construction						
General export measures						
Export Market Development Grants Scheme	1.5	1.1	1.2	1.0	1.1	1.6
TRADEX	1.5	<0.1	<0.1	<0.1	<0.1	<0.1
General investment measures						
Development allowance	<0.1	<0.1	<0.1	<0.1	<0.1	-
General R&D measures						
Commercial Ready Program	-	-	-	2.5	1.8	1.8
COMET Program	0.1	0.2	0.2	0.2	0.3	<0.1
Cooperative Research Centres	2.6	2.5	2.3	1.8	1.5	-
CSIRO	4.3	3.8	4.6	3.4	1.4	1.3
Innovation Investment Fund	-	-	-	-	<0.1	-
Premium R&D tax concession	0.4	0.4	0.8	1.2	2.0	2.0
R&D Start	0.9	0.3	0.2	-	-	0.4
R&D tax concession	8.0	3.2	11.4	10.5	12.9	15.1
R&D tax offset for small companies	6.4	8.3	8.8	8.6	11.7	15.1

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Table A.7 (continued)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Other measures						
25 per cent entrepreneurs' tax offset	-	-	-	40.7	51.3	63.3
Australian Tourism Development Program	-	-	-	-	<0.1	1.3
Industry Cooperative Innovation Program	-	-	0.3	0.2	0.2	-
Scottsdale Industry and Community Development Fund	-	-	-	-	0.1	-
Small business CG tax 50 percent reduction	11.1	16.2	26.1	33.3	51.2	62.3
Small business CG tax asset exemption	-	0.5	0.3	-	-	-
Small business CG tax retirement exemption	4.4	7.5	9.0	13.5	23.1	25.9
Small business capital gains tax exemption	4.5	8.2	9.8	11.5	15.0	23.9
Small business programs	-	-	0.1	0.9	0.7	0.2
Total	*45.6*	*52.4*	*75.0*	*129.4*	*174.3*	*214.3*
Wholesale trade						
General export measures						
Export Market Development Grants Scheme	12.4	10.2	11.0	10.8	12.3	14.1
TRADEX	0.9	4.8	2.8	3.5	3.5	2.9
General investment measures						
Development allowance	<0.1	<0.1	<0.1	<0.1	<0.1	-
General R&D measures						
Biotechnology Innovation Fund	-	-	<0.1	-	-	-
Commercial Ready Program	-	-	<0.1	0.2	-	1.6
COMET Program	0.2	<0.1	<0.1	<0.1	0.3	0.2
Premium R&D tax concession	5.5	5.8	6.0	8.6	14.1	14.5
R&D Start	2.2	0.8	1.4	0.2	0.2	-
R&D tax concession	18.4	19.7	20.5	21.4	26.3	30.8
R&D tax offset for small companies	17.7	25.1	24.2	23.3	31.7	40.8

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Table A.7 (continued)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Other measures						
25 per cent entrepreneurs' tax offset	-	-	-	0.9	1.1	1.4
Enterprise Development program	-	-	-	-	1.7	2.0
Industry Cooperative Innovation Program	-	-	-	0.1	-	-
Small business CG tax 50 percent reduction	14.0	22.5	27.3	28.3	43.6	53.0
Small business CG tax asset exemption	0.4	1.7	1.0	1.5	2.5	3.2
Small business CG tax retirement exemption	9.3	15.8	11.9	23.5	40.2	45.1
Small business capital gains tax exemption	3.2	5.4	4.4	5.4	7.1	11.3
Total	*84.2*	*111.9*	*110.8*	*127.8*	*184.7*	*220.9*
Retail trade						
Industry-specific measures						
Greenhouse gas abatement program	0.4	0.3	0.4	0.5	0.2	<0.1
LPG Vehicle Scheme	-	-	-	121.8	163.2	175.8
General export measures						
Export Market Development Grants Scheme	1.1	0.7	1.3	1.7	1.5	2.1
TRADEX	0.2	1.6	3.6	4.4	4.4	3.7
General investment measures						
Development allowance	<0.1	<0.1	<0.1	<0.1	<0.1	-
General R&D measures						
Commercial Ready Program	-	-	-	-	-	0.2
COMET Program	<0.1	-	<0.1	<0.1	0.2	0.1
Premium R&D tax concession	0.3	0.7	1.1	2.1	3.4	3.5
R&D Start	0.3	-	-	-	-	-
R&D tax concession	3.0	2.6	2.8	4.7	5.7	6.7
R&D tax offset for small companies	7.9	7.2	7.3	9.3	12.7	16.3

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Table A.7 (continued)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Other measures						
25 per cent entrepreneurs' tax offset	-	-	-	1.8	2.3	2.9
Australian Tourism Development Program	-	-	-	-	-	<0.1
Eden Structural Adjustment	<0.1	-	-	-	-	-
Enterprise Development program	-	-	-	0.7	4.5	5.0
Small business CG tax 50 percent reduction	33.1	34.4	42.7	42.7	65.7	79.9
Small business CG tax asset exemption	1.1	3.3	4.7	5.4	8.8	11.3
Small business CG tax retirement exemption	13.2	19.8	22.5	23.4	39.9	44.8
Small business capital gains tax exemption	9.8	11.7	13.7	18.9	24.7	39.3
Total	*70.5*	*82.3*	*100.2*	*237.4*	*337.2*	*391.5*
Accommodation, cafes and restaurants						
General export measures						
Export Market Development Grants Scheme	7.5	4.7	4.8	4.7	4.1	4.9
General R&D measures						
CSIRO	0.4	0.2	<0.1	<0.1	-	-
R&D tax concession	0.3	0.5	1.0	1.0	1.3	1.5
R&D tax offset for small companies	0.7	-	-	0.5	0.6	0.8
Other measures						
25 per cent entrepreneurs' tax offset	-	-	-	0.6	0.8	1.0
Australian Tourism Development Program	-	-	-	-	0.2	-
Eden Structural Adjustment	<0.1	-	-	-	-	-
Small business CG tax 50 percent reduction	39.3	42.0	57.4	41.5	63.8	77.6
Small business CG tax asset exemption	-	1.8	-	3.1	5.0	6.5
Small business CG tax retirement exemption	14.6	24.8	20.4	17.8	30.4	34.1
Small business capital gains tax exemption	18.4	18.5	16.6	19.9	26.1	41.4
Small business programs	0.1	0.1	0.2	-	-	-
Total	*81.4*	*92.6*	*100.2*	*89.2*	*132.3*	*167.8*

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Table A.7 (continued)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Transport and Storage						
Industry-specific measures						
Bass Straight Passenger Vehicle Equalisation	31.8	32.4	31.1	28.4	30.1	35.1
General export measures						
Export Market Development Grants Scheme	7.6	5.4	5.2	5.8	5.8	5.9
TRADEX	2.7	1.1	0.4	0.5	0.5	0.5
General investment measures						
Development allowance	2.9	1.9	1.2	0.5	<0.1	-
Infrastructure bonds scheme	9.6	9.6	9.6	7.2	2.4	2.4
Infrastructure borrowing's tax offset scheme	11.6	8.4	6.5	3.8	3.8	0.4
General R&D measures						
Commercial Ready Program	-	-	0.2	0.8	1.3	-
COMET Program	0.2	0.2	0.2	0.1	0.1	<0.1
CSIRO	3.1	3.7	4.7	3.3	2.7	1.1
Premium R&D tax concession	-	3.0	0.2	4.2	6.9	7.1
R&D Start	1.1	1.7	0.7	<0.1	-	-
R&D tax concession	5.5	6.6	5.1	7.5	9.2	10.7
R&D tax offset for small companies	1.6	1.9	2.6	3.4	4.6	5.9
Other measures						
25 per cent entrepreneurs' tax offset	-	-	-	9.2	11.6	14.4
Australian Tourism Development Program	-	-	-	-	<0.1	-
Industry Cooperative Innovation Program	-	-	-	-	-	0.2
Small business CG tax 50 percent reduction	12.5	14.1	21.2	13.8	21.3	25.9
Small business CG tax asset exemption	-	0.2	1.4	0.9	1.5	1.9
Small business CG tax retirement exemption	4.3	6.4	9.1	10.7	18.3	20.5
Small business capital gains tax exemption	3.7	9.7	7.0	2.9	3.8	6.1
Total	*98.1*	*106.3*	*106.4*	*103.1*	*124.1*	*138.1*

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Table A.7 (continued)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Communication services						
Industry-specific measures						
ABC and SBS Digital Interference Scheme	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1
Investment incentives to SITA	0.3	-	-	-	-	-
Regional Equalisation Plan	22.8	24.2	24.2	24.8	23.7	0.3
Software engineering centres	1.1	-	-	-	-	-
The Advanced Networks Program	6.6	8.0	7.0	12.5	-	-
General export measures						
Export Market Development Grants Scheme	1.5	1.7	2.4	17.1	22.2	27.4
TRADEX	<0.1	<0.1	-	-	-	-
General investment measures						
Development allowance	3.3	2.2	1.4	0.5	<0.1	-
General R&D measures						
Commercial Ready Program	-	-	1.2	5.2	2.8	1.8
COMET Program	0.4	0.6	0.5	0.6	1.1	1.2
Cooperative Research Centres	6.0	5.8	4.6	3.5	4.4	4.5
CSIRO	20.6	22.3	24.1	32.8	35.7	18.2
ICT centre of excellence	11.3	17.2	23.5	24.0	26.8	27.3
Innovation Investment Fund	2.3	2.0	0.7	0.2	-	-
Premium R&D tax concession	0.3	0.5	3.6	1.7	2.8	2.9
Preseed fund	2.2	1.8	2.4	1.8	1.0	0.7
R&D Start	8.4	8.4	5.3	0.6	0.2	-
R&D tax concession	15.3	10.1	14.2	20.1	24.7	28.9
R&D tax offset for small companies	12.2	12.7	14.0	15.6	21.2	27.3
Other measures						
25 per cent entrepreneurs' tax offset	-	-	-	1.0	1.3	1.6
Industry Cooperative Innovation Program	-	-	0.2	0.4	0.2	0.5
Innovation Investment Fund for South Australia	-	-	-	-	-	0.9
Small business CG tax 50 percent reduction	2.6	3.0	4.5	4.3	6.6	8.0
Small business CG tax retirement exemption	1.2	1.1	3.6	2.1	3.6	4.0
Small business capital gains tax exemption	-	-	1.1	-	-	-
Small business programs	<0.1	<0.1	-	-	-	-
Total	*118.4*	*121.6*	*138.4*	*168.8*	*178.3*	*155.5*

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Table A.7 (continued)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Finance and insurance						
Industry-specific measures						
High Costs Claims scheme	-	0.4	<0.1	8.8	3.2	19.5
Renewable Energy Equity Fund	-	0.4	0.5	0.3	0.3	-
United Medical Protection support	15.9	24.4	13.7	13.2	0.1	-
General export measures						
Export Market Development Grants Scheme	0.9	0.9	1.3	0.9	0.5	0.9
TRADEX	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1
General investment measures						
Development allowance	0.1	<0.1	<0.1	<0.1	<0.1	-
Infrastructure borrowing's tax offsets scheme	6.3	3.8	2.5	1.3	1.3	0.1
Offshore banking unit tax concession	55.0	75.0	90.0	160.0	320.0	305.0
General R&D measures						
Biotechnology Innovation Fund	0.2	<0.1	-	-	-	-
Commercial Ready Program	-	-	0.3	1.6	1.8	-
COMET Program	0.2	0.1	0.2	<0.1	0.1	0.2
CSIRO	1.9	1.5	1.2	1.2	0.8	0.7
Innovation Investment Fund	-	5.0	4.6	3.9	3.1	1.9
Premium R&D tax concession	7.8	10.3	11.8	17.1	28.1	29.0
Preseed fund	-	2.3	3.9	1.9	2.2	-
R&D Start	3.5	2.0	0.7	0.4	-	-
R&D tax concession	29.5	34.1	33.6	37.7	46.5	54.4
R&D tax offset for small companies	12.1	13.2	16.6	13.0	17.6	22.6

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Table A.7 (continued)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Other measures						
25 per cent entrepreneurs' tax offset	-	-	-	4.4	5.5	6.8
Early stage venture capital limited partnerships	-	-	-	-	-	1.0
Industry Cooperative Innovation Program	-	-	-	-	-	0.3
Pooled development funds	7.0	9.0	7.0	9.0	12.0	11.0
Small business CG tax 50 percent reduction	15.7	24.2	27.8	29.1	44.7	54.4
Small business CG tax asset exemption	6.0	5.3	7.5	14.0	23.0	29.4
Small business CG tax retirement exemption	11.8	12.2	18.7	19.9	34.0	38.2
Small business capital gains tax exemption	4.1	3.9	8.3	12.7	16.6	26.3
Venture capital limited partnerships	3.0	35.0	9.0	10.0	10.0	11.0
Total	*180.9*	*263.3*	*259.2*	*360.4*	*571.5*	*612.8*
Property and business services						
Industry-specific measures						
Renewable Energy Development Initiative	-	0.2	0.3	1.1	1.0	8.8
Renewable Energy Equity Fund	-	-	-	0.3	1.4	-
Solar cities initiative	-	-	0.6	3.0	9.1	7.2
TCF Small Business Program	-	-	-	-	0.3	0.3
General export measures						
Export Market Development Grants Scheme	27.6	24.9	30.3	27.6	26.6	35.3
TRADEX	2.9	0.6	0.4	0.4	0.4	0.4
General investment measures						
Development allowance	0.5	0.3	0.2	<0.1	<0.1	-
General R&D measures						
Biotechnology Innovation Fund	4.7	3.6	1.2	0.2	<0.1	-
Commercial Ready Program	-	0.3	11.4	26.9	23.3	36.2
COMET Program	2.9	2.3	2.6	3.6	6.5	3.9
Cooperative Research Centres	11.4	13.5	12.2	10.3	12.5	7.9
CSIRO	10.6	8.5	9.3	7.5	6.2	2.0
Innovation Investment Fund	2.1	4.8	4.9	3.8	4.4	2.3
Premium R&D tax concession	13.7	20.4	18.2	25.2	41.4	42.7
Preseed fund	-	0.7	2.6	2.1	4.3	2.2
R&D Start	24.6	31.5	13.6	5.6	0.4	1.1
R&D tax concession	65.6	69.1	76.3	78.6	96.8	113.3
R&D tax offset for small companies	38.8	43.1	47.6	40.0	54.4	69.9

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Table A.7 (continued)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Other measures						
25 per cent entrepreneurs' tax offset	-	-	-	27.4	34.5	42.6
Australian Tourism Development Program	-	-	-	-	1.3	0.6
Eden Structural Adjustment	<0.1	-	-	-	-	-
Indigenous Tourism Business Ready Program	-	-	-	-	-	0.4
Industry Cooperative Innovation Program	-	-	0.1	0.2	0.7	0.6
Innovation Investment Fund for South Australia	-	-	-	-	-	0.8
Small business CG tax 50 percent reduction	40.3	65.2	74.7	87.8	135.0	164.3
Small business CG tax asset exemption	1.6	5.7	7.1	8.8	14.4	18.4
Small business CG tax retirement exemption	18.9	33.9	41.0	66.1	112.9	126.7
Small business capital gains tax exemption	16.6	26.4	19.5	26.5	34.6	55.0
Small business programs	6.2	4.8	8.3	6.8	5.2	1.5
Techfast	-	2.5	-	-	-	-
Total	*289.1*	*362.2*	*382.4*	*459.8*	*627.8*	*744.3*
Government administration and defence						
General export measures						
Export Market Development Grants Scheme	<0.1	-	-	0.1	0.3	0.4
TRADEX	1.9	<0.1	0.2	0.2	0.2	0.2
General R&D measures						
COMET Program	<0.1	<0.1	-	<0.1	<0.1	<0.1
CSIRO	12.7	7.5	11.5	13.8	12.7	25.8
R&D Start	-	<0.1	-	-	-	-
R&D tax concession	0.3	0.6	0.5	0.9	1.1	1.2
Other measures						
25 per cent entrepreneurs' tax offset	-	-	-	0.7	0.9	1.1
Australian Tourism Development Program	-	-	-	-	<0.1	<0.1
Small business CG tax 50 percent reduction	0.4	0.9	1.1	0.5	0.8	1.0
Small business CG tax retirement exemption	<0.1	-	-	0.8	1.4	1.5
Small business programs	4.5	3.4	1.6	4.3	3.3	0.9
Total	*20.0*	*12.6*	*14.9*	*21.4*	*20.8*	*32.2*

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Table A.7 (continued)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Education						
General export measures						
Export Market Development Grants Scheme	8.0	6.6	7.0	8.6	8.5	12.1
General investment measures						
Development allowance	<0.1	<0.1	<0.1	<0.1	<0.1	-
General R&D measures						
Commercial Ready Program	-	-	-	-	<0.1	0.6
COMET Program	0.2	<0.1	0.3	0.2	0.3	0.2
CSIRO	0.7	1.1	2.1	2.0	1.1	0.7
Premium R&D tax concession	-	<0.1	<0.1	<0.1	0.1	0.1
R&D Start	0.2	0.2	<0.1	<0.1	-	-
R&D tax concession	0.7	0.5	0.4	0.4	0.5	0.6
R&D tax offset for small companies	2.1	3.1	3.3	3.3	4.5	5.7
Other measures						
25 per cent entrepreneurs' tax offset	-	-	-	3.6	4.5	5.6
Australian Tourism Development Program	-	-	-	-	<0.1	-
Indigenous Tourism Business Ready Program	-	-	-	-	-	0.2
Small business CG tax 50 percent reduction	2.1	3.5	2.4	2.2	3.4	4.1
Small business CG tax retirement exemption	1.0	3.7	3.7	0.6	1.1	1.2
Small business capital gains tax exemption	0.5	-	-	-	-	-
Small business programs	0.4	0.3	4.1	2.6	2.0	0.6
Structural Adjustment Fund for South Australia	-	-	-	-	-	0.2
Total	*15.8*	*19.1*	*23.5*	*23.6*	*26.2*	*31.9*
Health and community services						
Industry-specific measures						
Premium Support scheme	-	24.4	17.1	50.0	23.5	16.1
General export measures						
Export Market Development Grants Scheme	0.8	1.6	2.0	1.9	1.4	1.8
TRADEX	-	0.2	0.3	0.3	0.3	0.3
General investment measures						
Development allowance	<0.1	<0.1	<0.1	<0.1	<0.1	-

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Table A.7 (continued)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
General R&D measures						
Biotechnology Innovation Fund	3.1	2.8	1.5	<0.1	-	-
Commercial Ready Program	-	<0.1	3.5	7.0	7.8	2.3
COMET Program	0.3	0.2	0.6	0.5	1.5	0.4
Cooperative Research Centres	14.1	15.3	19.6	19.0	24.2	19.4
CSIRO	30.2	38.7	48.0	41.1	50.3	47.6
Innovation Investment Fund	5.8	3.9	2.3	2.4	-	0.6
Premium R&D tax concession	0.4	0.6	0.6	0.4	0.7	0.7
Preseed fund	2.5	0.5	1.8	2.0	1.1	0.9
R&D Start	9.3	12.1	4.4	1.8	0.2	-
R&D tax concession	1.1	1.3	2.0	1.7	2.1	2.5
R&D tax offset for small companies	2.0	3.5	5.2	4.4	6.0	7.8
Other measures						
25 per cent entrepreneurs' tax offset	-	-	-	7.7	9.7	12.0
Australian Tourism Development Program	-	-	-	-	<0.1	-
Industry Cooperative Innovation Program	-	-	-	-	-	0.5
Small business CG tax 50 percent reduction	11.2	21.6	18.4	26.2	40.4	49.1
Small business CG tax asset exemption	0.4	-	0.9	1.7	2.7	3.5
Small business CG tax retirement exemption	5.0	11.4	12.4	17.9	30.5	34.2
Small business capital gains tax exemption	3.3	7.7	4.2	12.0	15.7	24.9
Small business programs	<0.1	<0.1	0.2	<0.1	<0.1	<0.1
Total	*89.5*	*145.9*	*144.8*	*198.3*	*218.2*	*224.5*
Cultural and recreational services						
Industry-specific measures						
Australian Film Commission	22.5	48.6	52.0	52.4	53.0	-
Australian Film Finance Corporation	60.5	65.5	70.5	70.5	70.5	-
Equine Influenza Emergency Assistance Package	-	-	-	-	256.8	-
Exemption of film tax offset payments	3.0	16.0	7.0	10.0	3.0	18.0
Film Australia	10.0	10.8	13.0	13.2	13.3	-
Film industry tax incentives – 10B & 10A	3.0	-1.0	-2.0	-13.0	-13.0	-16.0
Refundable tax offset for large scale film production	9.0	53.0	22.0	29.0	69.0	43.0
Screen Australia	-	-	-	-	-	102.9

(continued next page)

Table A.7 (continued)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
General export measures						
Export Market Development Grants Scheme	12.2	11.3	12.1	5.0	5.5	5.8
TRADEX	-	<0.1	-	-	-	-
General investment measures						
Development allowance	<0.1	<0.1	<0.1	<0.1	<0.1	-
General R&D measures						
Commercial Ready Program	-	-	0.2	0.2	0.2	-
COMET Program	<0.1	0.2	0.1	0.2	0.4	<0.1
Cooperative Research Centres	4.3	4.8	4.7	4.7	3.5	3.1
CSIRO	0.4	0.7	0.6	0.5	0.8	1.5
R&D Start	0.3	0.1	-	-	-	-
R&D tax concession	0.5	0.4	0.3	0.2	0.2	0.2
R&D tax offset for small companies	1.0	1.6	2.2	1.2	1.6	2.1
Other measures						
25 per cent entrepreneurs' tax offset	-	-	-	4.3	5.4	6.7
Australian Tourism Development Program	-	-	-	-	0.9	<0.1
Eden Structural Adjustment	<0.1	-	-	-	-	-
Industry Cooperative Innovation Program	-	-	-	0.7	-	-
Small business CG tax 50 percent reduction	2.4	3.2	4.8	8.0	12.3	14.9
Small business CG tax retirement exemption	1.3	1.3	3.8	3.3	5.7	6.4
Small business capital gains tax exemption	-	-	1.6	2.3	3.0	4.7
Small business programs	<0.1	<0.1	-	0.7	0.6	0.2
Total	*130.6*	*216.5*	*192.8*	*193.3*	*492.6*	*193.5*
Personal and other services						
Industry-specific measures						
Renewable Energy Development Initiative	-	-	-	0.7	1.5	-
General export measures						
Export Market Development Grants Scheme	0.7	0.9	1.2	1.8	1.7	2.4

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Table A.7 (continued)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
General R&D measures						
Commercial Ready Program	-	-	0.6	0.1	<0.1	<0.1
COMET Program	-	<0.1	0.1	0.1	<0.1	0.1
CSIRO	-	-	0.8	1.2	1.3	<0.1
Premium R&D tax concession	0.2	0.3	0.6	0.8	1.3	1.3
R&D Start	0.2	<0.1	-	-	-	-
R&D tax concession	1.9	2.0	2.5	2.8	3.5	4.1
R&D tax offset for small companies	5.1	4.3	7.7	5.3	7.3	9.3
Other measures						
25 per cent entrepreneurs' tax offset	-	-	-	6.7	8.4	10.4
Australian Tourism Development Program	-	-	-	-	1.7	<0.1
Industry Cooperative Innovation Program	-	-	-	0.5	<0.1	2.2
Small business CG tax 50 percent reduction	4.0	9.4	12.2	12.8	19.7	24.0
Small business CG tax asset exemption	-	<0.1	0.9	1.2	1.9	2.5
Small business CG tax retirement exemption	2.3	2.2	5.4	7.8	13.3	14.9
Small business capital gains tax exemption	1.4	1.7	3.8	8.0	10.5	16.6
Small business programs	1.2	0.9	1.2	1.6	1.2	0.3
Total	*17.0*	*21.8*	*37.1*	*51.5*	*73.3*	*88.2*
Unallocated services						
Industry-specific measures						
Building IT strengths	11.6	12.6	10.6	7.5	-	-
ICT Incubators Program	-	-	-	-	1.7	-
General export measures						
Tourism Australia	97.9	138.4	137.8	133.8	135.8	137.6
General R&D measures						
CSIRO	0.7	0.4	2.9	3.3	3.7	2.4
R&D Start	0.2	-	-	-	-	-

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Table A.7 (continued)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Other measures						
Australian Tourism Development Program	-	4.0	7.0	6.8	-	2.1
Cairns Esplanade Development	-	2.9	3.0	1.9	-	-
Cairns Foreshore Promenade Development	-	2.0	2.9	-	-	-
Fairbridge Village Redevelopment	-	0.7	-	-	-	-
Film Licensed Investment Company Scheme	-	-	-	4.0	4.0	-
Indigenous Tourism Business Ready Program	-	0.2	0.8	1.1	0.4	0.6
Kimberley Cultural Tourism Promotion	-	0.1	0.1	-	-	-
Lancefield Visitor Information Centre & Reserve	-	0.2	-	-	-	-
National Tourism Accreditation Framework	-	0.7	0.8	0.5	-	-
North East Chinese Heritage Trail	-	-	0.5	1.2	-	-
Oatlands Callington Mill upgrade	-	<0.1	<0.1	-	-	-
Queensland Tourism Assistance Package	-	-	-	-	-	0.3
Regional Tourism Program	0.5	-	-	-	-	-
See Australia Domestic Tourism Initiative	1.5	2.4	-	-	-	-
Stockman's Hall of Fame	1.3	-	-	0.5	0.4	-
Tasmanian Forest Tourism Initiative	-	-	-	-	-	15.2
Tasmanian Infrastructure Initiative	1.1	-	0.7	-	-	-
The Great Green Way - Tourism Initiative	-	1.9	1.9	1.9	-	-
Tourism in Protected Areas	1.1	1.9	1.7	-	-	-
Willow Court Restoration of 'The Barracks'	-	<0.1	0.3	-	-	-
Woodend Bike Trail	-	0.2	-	-	-	-
Total	*115.7*	*168.7*	*171.0*	*162.7*	*146.0*	*158.2*
Total outlays	**730.7**	**871.1**	**938.1**	**1 084.0**	**1 390.7**	**1 181.2**
Total tax expenditures	**700.4**	**975.2**	**1 020.7**	**1 324.9**	**2 008.4**	**2 285.7**
Total budgetary assistance	**1 431.1**	**1 846.3**	**1 958.8**	**2 408.9**	**3 399.1**	**3 466.9**

- Nil. Figures may not add to totals due to rounding. [a] The estimates are derived primarily from Australian Government departmental annual reports and Treasury's Tax Expenditure Statements and unpublished information provided by relevant agencies.

Source: Commission estimates.

Table A.8 **Australian Government budgetary assistance, Unallocated other, 2003-04 to 2008-09[a,b]**

$ million (nominal)

	2003-04	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Industry-specific measures						
Australian Seafood Industry Council	-	<0.1	0.1	-	0.2	-
Indigenous Broadcasting Program	-	12.8	13.3	13.6	14.0	13.9
National Urban Water and Desalination Plan	-	-	-	-	-	10.0
Pharmaceuticals Partnerships Program	-	-	-	-	16.6	7.3
Renewable Energy Development Initiative	-	-	-	-	3.4	-
Tasmanian wheat freight subsidy	-	-	-	0.6	0.9	0.3
General export measures						
Austrade[c]	80.0	78.3	84.3	86.8	85.9	95.7
EFIC national interest business	12.8	10.4	9.1	10.9	6.7	6.0
International Food and Agricultural Service	-	30.7	30.5	30.5	36.7	-
TRADEX	-	1.5	-	-	-	-
General investment measures						
Development allowance	13.3	8.9	5.6	2.2	0.1	-
Invest Australia	19.4	22.3	22.0	24.0	-	-
Regional headquarters program	0.5	0.5	0.5	0.5	0.5	0.5
General R&D measures						
Biotechnology Innovation Fund	-	1.2	0.3	<0.1	-	-
Commercial Ready Program	-	0.8	1.3	0.4	24.3	0.1
COMET Program	-	<0.1	-	-	-	<0.1
Innovation Access Program	11.0	5.8	9.3	0.8	1.1	-
Innovation Investment Fund	-	0.5	-	-	-	2.6
Low Emissions Technology Demonstration Fund	-	-	-	-	2.0	1.6
Major national research facilities	10.9	11.9	11.9	-	-	-
Premium R&D tax concession	2.7	0.2	0.5	0.3	0.5	0.5
Preseed fund	-	0.1	-	-	-	2.7
R&D Start	-	28.2	4.6	2.2	1.5	-
R&D Start Loans	-	-	0.1	-	-	-
R&D tax concession	2.6	1.4	2.0	2.8	3.4	4.0
R&D tax offset for small companies	3.6	5.5	8.3	11.3	15.3	19.7
R&D tax offset payments – exemption	35.0	2.0	5.0	-25.0	-50.0	-65.0

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Table A.8 (continued)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Other measures						
25 per cent entrepreneurs’ tax offset	-	-	-	17.8	22.5	27.7
Australian Made Campaign – export strategy	-	0.9	0.7	0.5	0.9	0.4
Beaconsfield Community Fund	-	-	-	1.0	2.4	-
Business assistance fund for disasters	-	-	-	10.0	11.0	8.0
Cyclone Larry – Fuel Excise Relief	-	-	-	1.0	0.5	0.5
Enterprise Connect Innovation Centres	-	-	-	-	5.3	5.3
Capital gains tax relief for statutory licences	-	-	-	20.0	90.0	-
Fishing Structural Adjustment Package – Onshore Business Restructure Program	-	-	-	-	5.7	-
Geelong Innovation and Investment Fund	-	-	-	-	-	2.0
Home Based Business Seminars	-	-	-	0.4	0.3	-
Industry Capability Network Limited	1.5	1.8	1.5	2.3	-	-
Industry Cooperative Innovation Program	-	-	-	-	2.7	-
Innovation Investment Fund for South Australia	-	-	-	-	<0.1	<0.1
Intermediary Access Program	-	-	-	-	1.9	-
Low Emissions Technology and Abatement Program	-	-	2.0	6.7	3.1	1.7
Port Kembla Industry Facilitation Fund	-	-	-	2.4	2.6	-
Regional partnerships program	27.6	30.4	26.8	17.3	18.6	14.5

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Table A.8 (continued)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Other measures (continued)						
Small Business Advisory Services Program	-	-	-	-	-	11.9
Small business CG tax 50 percent reduction	12.6	10.5	12.5	9.8	15.1	18.3
Small business CG tax asset exemption	4.8	4.8	8.7	12.9	21.1	27.0
Small business CG tax retirement exemption	8.5	6.5	5.3	4.9	8.3	9.4
Small business capital gains tax exemption	3.0	2.9	5.7	2.8	3.6	5.7
Small business interest rate subsidy	0.5	0.5	-	-	-	-
Small business programs	<0.1	<0.1	-	0.5	0.4	0.1
South Australia Innovation and Investment Fund and Labour Assistance Package	-	-	-	-	-	4.1
Structural Adjustment Fund for South Australia	-	-	13.1	10.5	7.0	-
Structural Adjustment Package (Electrolux)	-	-	-	-	7.1	12.9
Sustainable regions program	20.9	22.6	36.8	7.1	4.7	0.9
Tasmanian Freight Equalisation Scheme	1.0	0.9	0.9	1.0	1.2	1.2
Taxation assistance for victims of Australian natural disasters	-	-	-	-	-	8.0
TCF Corporate Wear Program	52.2	46.0	50.9	56.4	66.6	74.1
Tropical Cyclones Larry and Monica – business assistance	-	-	136.5	11.8	-	-
Total	*324.6*	*350.9*	*510.1*	*358.8*	*465.8*	*334.0*
Total outlays	**189.3**	**265.8**	**413.4**	**242.4**	**272.5**	**215.2**
Total tax expenditures	**135.3**	**85.1**	**96.6**	**116.4**	**193.3**	**118.8**
Total budgetary assistance	**324.6**	**350.9**	**510.1**	**358.8**	**465.8**	**334.0**

- Nil. Figures may not add to totals due to rounding. **a** The estimates are derived primarily from Australian Government departmental annual reports and Treasury's Tax Expenditure Statements and unpublished information provided by relevant agencies. **b** Includes programs or amounts of funding where the initial benefiting industry is not stated and/or has not been ascertained. **c** For 2008-09, Austrade provided information about the proportion of its total appropriation pertaining to 'industry assistance' (as distinct from corporate overhead, consular and public diplomatic responsibilities and general policy work). This 2008-09 proportion has been applied to earlier years. In previous editions of *Trade and Assistance Review* the full Austrade departmental appropriation had been included as 'industry assistance'.

Source: Commission estimates.

B Anti-dumping and countervailing activity

Dumping is said to occur when an overseas supplier exports a good to Australia at a price below its 'normal value' in the supplier's home market. If dumping causes, or threatens to cause, material injury to local producers of like goods, then remedial action — mainly the imposition of special customs duties — can be taken against the imported goods concerned.

Similarly, countervailing duties can be imposed on imports which benefit from certain subsidies from an overseas government and which cause or threaten injury to a local industry producing like goods.

Australia's anti-dumping and countervailing legislation (contained in the *Customs Act 1901*, the *Customs Tariff (Anti-Dumping) Act 1975* and the Customs Regulations 1926), is based on WTO agreements that, amongst other things, aim to discipline the use of anti-dumping measures as an alternative form of protection. Though WTO members are not obliged to enact such legislation, they are required to comply with the agreed requirements should they wish to take action against dumped imports.

Australia's anti-dumping system is administered by the Australian Customs and Border Protection Service (Customs and Border Protection). It investigates claims of dumping and makes recommendations to the Minister, and also oversees anti-dumping and countervailing measures in force. The investigation process goes through several, time-limited, stages and includes appeal processes.

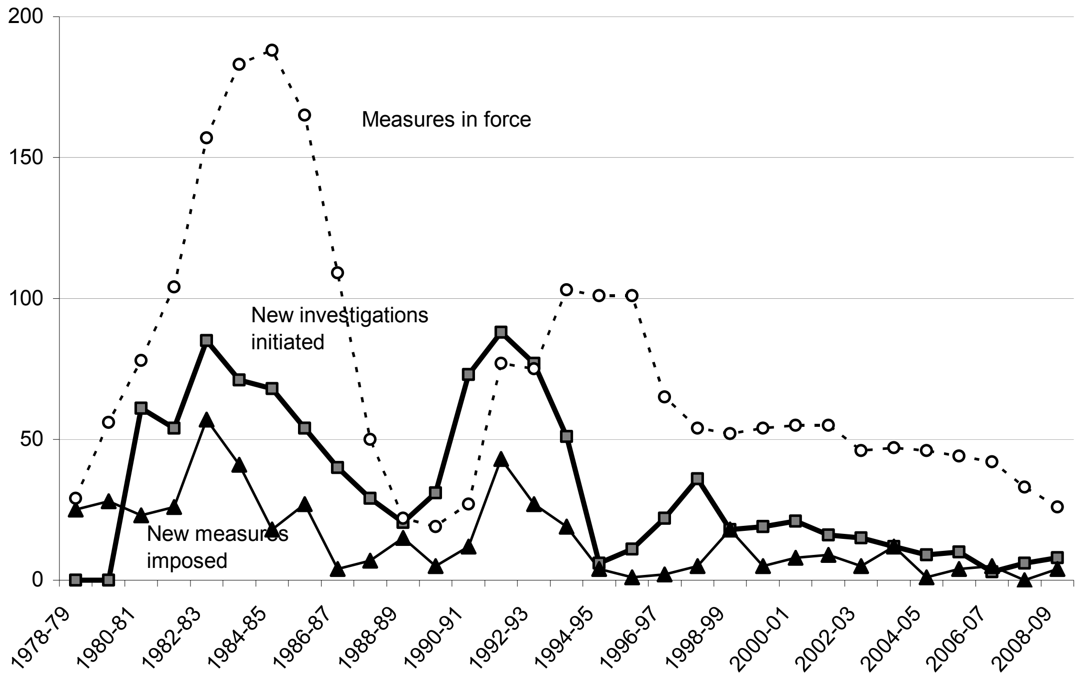
Under Australia's anti-dumping rules, anti-dumping duties may be imposed up to the level of the assessed dumping margin (or the subsidy provided by an overseas government). However, under the 'lesser duty rule', a smaller duty sufficient to increase the price of the overseas good to a 'non-injurious' level may sometimes be imposed. Alternatively, the overseas supplier (and also the overseas government in countervailing cases) can make a formal price undertaking on terms that would remove the injury or the threat of injury.

Once in place, anti-dumping measures typically remain in force for five years, with scope for extensions for additional five-year periods, following further review.

B.1 Australian anti-dumping and countervailing activity

Over the decade to 2008-09, antidumping and countervailing activity steadily declined. *Initiation*s of new investigations fell from 19 in 1999-00 to 8 in 2008-09, while measures *in force* fell from 54 to 26 (figure B.1). Over the decade, new measures were *imposed* about 50 per cent of the time in response to investigations.

Figure B.1 **Australian anti-dumping and countervailing activity, 1978-79 to 2008-09[a,b]**



[a] An investigation or measure is recorded as an action applying to one commodity from one economy. If multiple economies are involved, they are treated as separate actions. [b] New investigations refer to investigations by Customs of complaint cases that have met the screening requirements. The number of complaints raised by industry may be greater.

Source: PC (2008b).

During 2008-09, eight new investigations were *initiated* by Customs and Border Protection (table B.1). Four new measures were *imposed* by the Government and eight measures expired.

Table B.1 **Australian anti-dumping and countervailing initiations, 2008-09[a]**

Commodity	*Industry grouping*	*Exporting economy*
Hollow structural sections	Metal products	China
Aluminium extrusions	Metal products	China
Geosynthetic clay liners	Non-metallic mineral products	Germany
Linear low density polyethylene	Petroleum, coal, chemical and associated products	Canada
Linear low density polyethylene	Petroleum, coal, chemical and associated products	United States
Hollow structural sections	Metal products	China
Hot dip galvanised pipe	Metal products	Thailand
Currants, processed dried	Food, beverages & tobacco products	Greece

[a] Formal investigations by Customs. Complaints by industry must meet certain requirement before investigations are initiated. Initiations are recorded as actions applying to one commodity from one economy.

Source: ACS (2009b).

Of the 26 measures *in force* in 2008-09, over 80 per cent related to a relatively narrow range of basic industrial chemicals and plastics, metal products and food and beverages, many of which are inputs to further manufacturing processes (table B.2). Over the decade to 2008-09, around one-third of initiated investigations related to products in the *Petroleum, coal, chemical and associated products* industry grouping. The second largest number of initiations related to *Metal products*.

Table B.2 **Australian anti-dumping and countervailing new investigations, 1999-00 to 2008-09[a]**

				1999-00 to 2008-09	
Industry grouping	*2006-07*	*2007-08*	*2008-09*	*Number of cases*	*Per cent of total*
Food, beverages and tobacco	1	1	1	17	14
Textiles, clothing, footwear and leather	–	–	–	0	0
Wood and paper products	–	2	–	12	10
Printing, publishing and recorded media	–	–	–	0	0
Petroleum, coal, chemical and associated products	2	1	2	39	33
Non-metallic mineral products	–	–	1	9	8
Metal product manufacturing	–	1	4	29	24
Machinery and equipment manufacturing	–	1	–	11	9
Other manufacturing	–	–	–	2	2
Total	**3**	**6**	**8**	119	100

– Nil. [a] Formal investigations by Customs. Complaints by industry must meet certain requirements before investigations are initiated. Initiations are recorded as investigations of one commodity from one economy. Cases where dumping and subsidisation are alleged for the same economy and commodity are counted as two distinct initiations.

Source: ACS (2009b).

The anti-dumping and countervailing activity initiated over the decade to 2008-09 was against more than 25 countries (table B.3). Over this period, there has been an increasing concentration of initiations and measures against suppliers from the Asian region. Of the 13 countries currently subject to antidumping measures, seven are in Asia.

Table B.3 **Australian initiations of anti-dumping and countervailing cases by trading region and economy,[a] 1999-00 to 2008-09**

				1999-00 to 2008-09	
Region/economy	*2006-07*	*2007-08*	*2008-09*	*Total*	*Per cent[b]*
North America	**–**	**–**	**2**	**7**	**6**
Canada	–	–	1	3	3
United States	–	–	1	4	3
European Union	**1**	**1**	**2**	**25**	**21**
Austria	–	–	–	1	1
Belgium/Luxembourg	–	–	–	1	1
Finland	–	–	–	1	1
France	1	–	–	2	2
Germany	–	–	1	4	3
Greece	–	1	1	3	3
Italy	–	–	–	6	5
Sweden	–	–	–	2	2
United Kingdom	–	–	–	3	3
Other European Union	–	–	–	2	2
Asia	**2**	**5**	**4**	**83**	**70**
China	1	2	3	23	19
Hong Kong	–	–	–	0	0
India	–	–	–	2	2
Indonesia	1	1	–	12	10
Japan	–	–	–	4	3
Korea	–	–	–	14	12
Malaysia	–	–	–	6	5
Philippines	–	–	–	1	1
Singapore	–	–	–	3	3
Thailand	–	2	1	13	11
Taiwan	–	–	–	5	4
Other	**–**	**–**	**–**	**4**	**3**
Saudi Arabia	–	–	–	0	0
South Africa	–	–	–	1	1
Other	–	–	–	3	3
Total	**3**	**6**	**8**	**119**	**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 (2009b).

B.2 International anti-dumping and countervailing activity

In 2006-07, there were 167 anti-dumping and countervailing cases initiated worldwide (WTO 2008c).[1] The most were by India (29), followed by the European Union (18), Brazil (15), the United States (12) and China (11). Over 1300 measures were in force at 30 June 2007, of which the United States, India and the European Union accounted for around half. Australia ranked tenth in measures in force, compared with fifth at 30 June 2004.

[1] Comparable data for 2007-08 were not available for inclusion in this *Review*. The WTO changed the basis for reporting in 2009.

C WTO trade disputes in which Australia has third party status

This Appendix tabulates the 64 trade disputes lodged with the WTO since its formation in 1995, where Australia has requested, and been accepted, as a third party. These are cases where Australia judges it has commercial and/or legal interest in the matters in question (DFAT 2010b). Under WTO dispute resolution procedures, a country granted third part status can present its views to the dispute panel or, in the event of an appeal to an initial ruling, the Appellate Body.

Table C.1 **WTO disputes involving Australia, 1995-2010**

Case no.	*Year*	*Product*	*Complainant*	*Respondent*	*Outcome*
DS2	1995	Gasolin	Brazil Venezuela	United States	Compliant upheld 1996
DS7	1995	Scallops	Canada	European Communities	Mutually agreed solution 1996
DS12	1995	Scallops	Peru	European Communities	Mutually agreed solution 1996
DS14	1995	Scallops	Chile	European Communities	Mutually agreed solution 1996
DS26	1996	Prohibition of certain hormones in livestock farming	United States	European Communities	Most of complaints upheld 1998
DS46	1996	Export subsidies on aircraft	Canada	Brazil	Most of complaints upheld 1999
DS48	1996	Prohibition of certain hormones in livestock farming	Canada	European Communities	Most of complaints upheld 1998
DS58	1996	US Importation of shrimp and shrimp products	India, Malaysia, Pakistan and Thailand	United States	Some of complaints upheld 1998
DS70	1997	Export financing for aircraft	Canada	Brazil	Most of complaint upheld 1999
DS103	1997	Canadian export subsidies on dairy products and tariff-rate quota on milk	United States	Canada	Mutually agreed solution 2003
DS108	1997	Special tax treatment for “Foreign Sales Corporations”	European Communities	United States	Most of complaints upheld 2000
DS113	1997	Canadian export subsidies on dairy products and tariff-rate quota on milk	New Zealand	Canada	Mutually agreed solution 2003
DS114	1997	Lack of patent protection of pharmaceutical products	European Communities	Canada	Some of complaints upheld 2000
DS160	1999	Section 110(5) of US Copyright Act	European Communities	United States	Some of complaints upheld 2000
DS161	1999	Measures restricting the sale of imported beef	United States	Korea	Most of complaints upheld 2000
DS166	1999	Safeguards on imports of wheat gluten	European Communities	United States	Most of complaints upheld 2000
DS174	1999	Lack of protection of trademarks and geographical indications	United States	European Communities	Some of complaints upheld 2005
DS177	1999	Safeguards on imports of lamb meat	New Zealand	United States	Some of complaints upheld 2001
DS194	2000	Measures treating export restraints as subsidies	Canada	United States	No complaints upheld 2001

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Table C.1 (continued)

Case no.	Year	Product	Complainant	Respondent	Outcome
DS204	2000	Regulatory measures affecting telecommunications services	United States	Mexico	Most of complaints upheld 2004
DS202	2000	Safeguards on imports of circular welded carbon quality line pipe	Korea	United States	Most of complaints upheld 2002
DS207	2000	Price band system and safeguards on certain agricultural imports	Argentina	Chile	Most of complaints upheld 2007
DS222	2001	Export credits and loan guarantees for regional aircraft	Brazil	Canada	Some of complaints upheld 2002
DS234	2001	Continued Dumping and Subsidy Offset Act of 2000	Canada and Mexico	United States	Some of complaints upheld 2003
DS245	2002	Import restrictions on apples	United States	Japan	Mutually agreed solution 2005
DS266	2002	Export subsidies on sugar	Brazil	European Communities	Some of complaints upheld 2005
DS267	2002	Subsidies on Upland cotton	Brazil	United States	Most of complaints upheld 2008
DS276	2002	Treatment of wheat exports and grain imports	United States	Canada	Some of complaints upheld 2004
DS283	2003	Sugar export subsidies	Thailand	European Communities	Some of complaints upheld 2005
DS291	2003	Measures affecting the approval of biotech products	United States	European Communities	Some of complaints upheld 2006
DS292	2003	Measures affecting the approval of biotech products	Canada	European Communities	Some of complaints upheld 2006
DS293	2003	Measures affecting the approval of biotech products	Argentina	European Communities	Some of complaints upheld 2006
DS315	2004	Certain Customs matters	United States	European Communities	Some of complaints upheld 2006
DS316	2004	Measures affecting trade in large civil aircraft	United States	European Communities	Panels established. Yet to report
DS317	2004	Measures affecting trade in large civil aircraft	European Communities	United States	Panels established. Yet to report

(continued next page)

Table C.1 (continued)

Case no.	*Year*	*Product*	*Complainant*	*Respondent*	*Outcome*
DS320	2004	Retaliatory measures to the prohibition of certain hormones in livestock farming (retaliatory to DS26)	European Communities	United States	Some of complaints upheld 2008
DS321	2004	Retaliatory measures to the prohibition of certain hormones in livestock farming (retaliatory to DS48)	European Communities	Canada	Some of complaints upheld 2008
DS332	2005	Measures affecting retreaded tyre imports	European Communities	Brazil	Some of complaints upheld 2007
DS334	2005	Import restrictions on rice	United States	Turkey	Most of complaints upheld 2007
DS339	2006	Measures adversely affecting automobile part imports	European Communities	China	Most of complaints upheld 2008
DS340	2006	Measures adversely affecting automobile part imports	United States	China	Most of complaints upheld 2008
DS342	2006	Measures adversely affecting automobile part imports	Canada	China	Most of complaints upheld 2008
DS347	2006	Measures affecting trade in large civil aircraft	United States	European Communities	Suspended at the request of the United States in 2006
DS352	2006	Measures adversely affecting wine and spirit imports	European Communities	India	Suspended at the request of the European Communities in 2007
DS353	2005	Measures affecting trade in large civil aircraft	European Communities	United States	Panel established. Yet to report
DS357	2007	Domestic support and export credit guarantees for agricultural products	Canada	United States	Panel established. Yet to report
DS360	2007	Certain import duties	United States	India	Some of complaints upheld 2008
DS362	2007	Measures affecting the protection and enforcement of intellectual property rights	United States	China	Most of complaints upheld 2009

(continued next page)

Table C.1 (continued)

Case no.	*Year*	*Product*	*Complainant*	*Respondent*	*Outcome*
DS363	2007	Measures affecting trading rights and distribution services for certain publications and audiovisual entertainment products	United States	China	Most of complaints upheld 2009
DS365	2007	Domestic support and export credit guarantees for agricultural products	Brazil	United States	Panel established. Yet to report
DS371	2008	Customs and fiscal measures on cigarettes	Philippines	Thailand	Panel established. Yet to report
DS375	2008	Tariff treatment of certain information technology products	United States	European Communities	Panel established. Yet to report
DS376	2008	Tariff treatment of certain information technology products	Japan	European Communities	Panel established. Yet to report
DS377	2008	Tariff treatment of certain information technology products	Chinese Taipei	European Communities	Panel established. Yet to report
DS379	2008	Anti-dumping and countervailing duties on certain products	China	United States	Panel established. Yet to report
DS381	2008	Measures concerning the importation, marketing and sale of tuna products	Mexico	United States	Panel established. Yet to report
DS384	2009	Certain country of origin labelling requirements	Canada	United States	Panel established. Yet to report
DS386	2009	Certain country of origin labelling requirements	Mexico	United States	Panel established. Yet to report
DS387	2009	Grants, loans and other incentives to Chinese enterprises	United States	China	Mutually agreed solution 2009
DS388	2009	Grants, loans and other incentives to Chinese enterprises	Mexico	China	Mutually agreed solution 2009
DS389	2009	Measures affecting imports of poultry meat/products	European Communities	United States	Panel established. Yet to report
DS390	2009	Grants, loans and other incentives to Chinese enterprises	Guatemala	China	Mutually agreed solution 2009
DS396	2010	Excise taxes on distilled spirits	European Union	Philippines	Panel established. Yet to report
DS403	2010	Taxes on distilled spirits	United States	Philippines	Panel established. Yet to report

Source: DFAT (2010b).

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