
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:

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

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).

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

<i>Organisation</i>	<i>Project</i>	<i>Funding amount</i>
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.