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## 2 Budgetary assistance

**Assistance through budgetary outlays and tax expenditures totalled \$3.3 billion in 1997-98, a decrease of 13 per cent in nominal terms from the previous year. Budgetary assistance is projected to increase slightly to \$3.4 billion in 1998-99.**

**Budgetary outlays have been relatively stable at \$1.7 billion, following the termination of several programs in 1996-97. Tax expenditures increased significantly to \$2.2 billion in 1996-97, due to the revenue impact of the development allowance. Forward projections indicate that tax expenditures will fall to \$1.7 billion in 1997-98, reflecting the tightening of the R&D tax concession and winding down of the development allowance.**

**The Commonwealth Government has recently announced several budgetary assistance initiatives. These measures are expected to affect the level and composition of budgetary assistance in future years.**

### 2.1 Scope of the Commission's estimates

Budgetary assistance comprises budgetary outlays and tax expenditures that selectively benefit firms, industries or activities in the economy. Budgetary outlays include direct financial assistance — bounties, grants, interest rate subsidies, loans, loan guarantees, insurance and equity injection — as well as funding to organisations which perform activities of benefit to industries (for example, to the Australian Tourist Commission for promotion of tourism). Tax expenditures (or concessions) provide financial assistance by reducing the tax burden of certain firms, industries or activities. Tax expenditures take the form of exemptions, deductions, rebates, preferential tax rates and tax deferral.

The coverage of budgetary assistance excludes programs which have major social objectives, such as outlays on defence, health, education and the labour market. Also excluded are generally available measures which do not discriminate between industries or activities. Assistance estimates in this chapter do not incorporate the Diesel Fuel Rebate, which is designed to offset the diesel fuel excise for off-road

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users in agriculture and mining. The approach adopted in classifying budgetary assistance was discussed in more detail in *Trade and Assistance Review 1996-97*.

The focus in this chapter is on reporting the budgetary assistance provided by the Commonwealth Government. State, Territory and local governments also provide substantial budgetary assistance. The Industry Commission's inquiry into State, Territory and local government assistance to industry (IC 1996a) estimated that budgetary assistance afforded by State and Territory governments totalled \$5.7 billion in 1994-95. This consisted of \$2.5 billion in budgetary outlays and \$3.2 billion in payroll tax exemptions.

Budgetary assistance is also reported by sector — namely, primary production, manufacturing, mining, and selected services. Where data on the recipients of assistance are not available, government programs are allocated to the sector considered to receive the largest share. Due to these data constraints, caution is needed when interpreting the sectoral distribution of assistance.

Budgetary outlay figures are derived from Commonwealth Budget Papers and departmental annual reports. Data for 1997-98 are estimated expenditures and for 1998-99 are budget appropriations.<sup>1</sup> Tax expenditure figures are from Treasury (1997b) and Australian Customs Service (ACS 1998). Data for 1997-98 and 1998-99 are forward projections.

## 2.2 Trends in Commonwealth budgetary assistance

Commonwealth budgetary assistance to industry is estimated at \$3.3 billion for 1997-98 (table 2.1). In nominal terms, this is a decline of 13 per cent on the previous year. Budget appropriations are expected to increase slightly to \$3.4 billion in 1998-99.

Table 2.1 **Commonwealth budgetary assistance to industry**  
\$ million

	1995-96	1996-97	1997-98	1998-99
Budgetary outlays	1 929	1 698	1 685	1 726
Tax expenditures	1 759	2 169	1 668	1 701
Total budgetary assistance	3 688	3 867	3 353	3 427

Source: Commonwealth Budget Papers, Treasury (1997b), ACS (1998) and Commission estimates.

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<sup>1</sup> As the 1998-99 Federal Budget was introduced in May, the Budget Statements did not report expenditure outcomes for 1997-98. Actual outlays will be known later in 1998-99.

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In real terms, the 1997-98 assistance level is the lowest since 1992-93. Commonwealth budgetary assistance in 1997-98 was delivered through more than 120 government programs and tax expenditures.

Budgetary assistance estimates have been revised for previous years as information on the revenue costs of some tax concessions, most notably the development allowance, is now available. The relatively high level of assistance in 1996-97 mainly reflects the revenue impact of the development allowance. The increase in total assistance from the previous year occurred despite a substantial fall in budgetary outlays, following the termination of several bounties and export programs. The fall in assistance estimated for 1997-98 is attributable mainly to the tightening of the R&D tax concession and the winding down of the development allowance.

### **Budgetary outlays**

Budgetary outlays accounted for \$1.7 billion in 1997-98, or half of total budgetary assistance. Budget appropriations indicate no significant change in outlays in 1998-99. Budgetary outlays benefiting industries are provided as direct financial assistance and funding to intermediary institutions.

#### *Direct financial assistance*

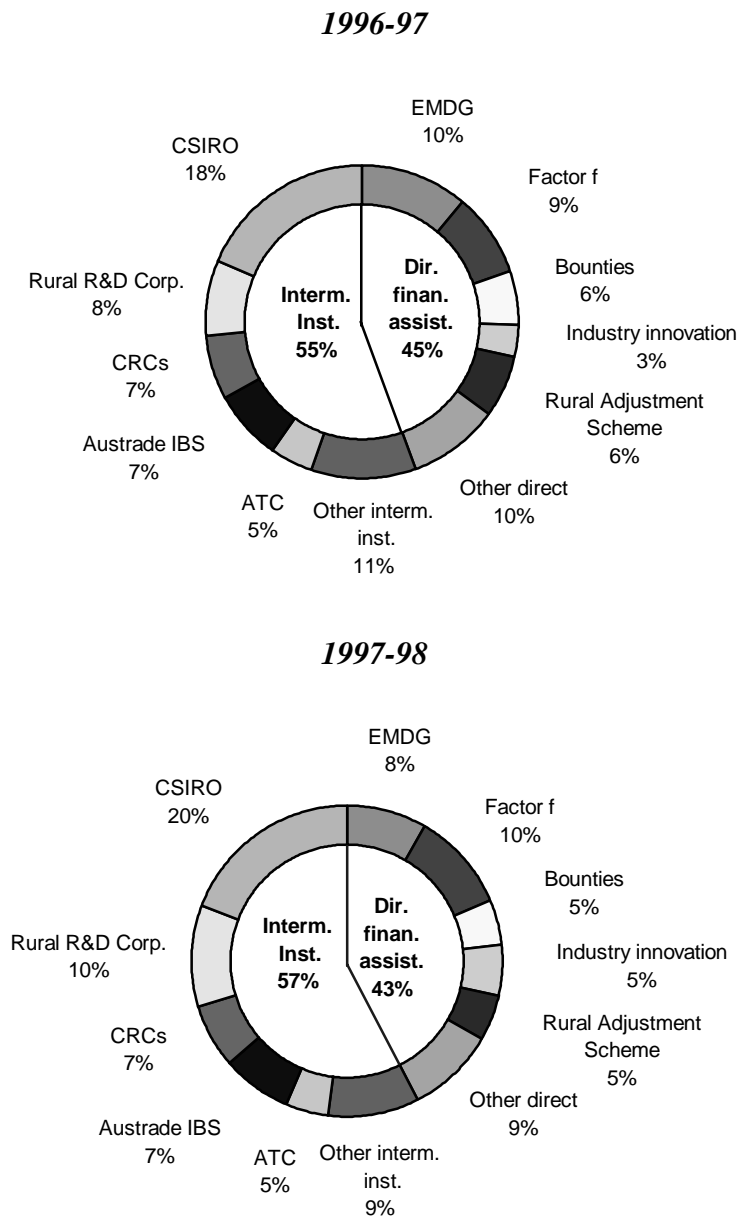
Direct financial assistance accounted for \$729 million or 43 per cent of budgetary outlays in 1997-98 (figure 2.1). Direct financial assistance has declined in absolute terms and as a proportion of outlays since the early 1990s. This has been due to the reduction of several outlays, including the termination of bounties and concessional finance schemes.

The shipbuilding bounty, recently extended to 30 June 1999, is the only remaining bounty scheme in Australia. The bounty is paid at 5 per cent of eligible costs and outlays on the scheme have accounted for around \$20 million in recent years. In January 1998, the Shipbuilding Industry Review Panel was established to review the industry and the need for the bounty in the context of Australia's possible accession to the OECD Shipbuilding Agreement. The Agreement aims to eliminate subsidies on shipbuilding among member countries. The major recommendations of the Shipbuilding Industry Review Panel (1998) were as follows:

- Australia should accede to the OECD Shipbuilding Agreement subject to certain conditions.

- The bounty scheme should continue to operate from 1 July 1999 to 31 December 2000 at the rate of 3 per cent.
- A grant for innovation be provided to a maximum of 2 per cent of eligible production costs. The grant, on a dollar for dollar funding basis, would operate for five years from 1 July 1999.

Figure 2.1 **Budgetary outlays, by major programs**  
per cent of total



Source: Commission estimates.

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Based on projections, programs which provided the most significant direct financial assistance to industry in 1997-98 were the Factor f scheme (\$174 million, or 10 per cent of outlays), the Export Market Development Grants (EMDG) scheme (\$145 million, 8 per cent) and the Industry Innovation Program (\$91 million, 5 per cent) (figure 2.1). The Pharmaceutical Industry Investment Program will replace the Factor f scheme on 1 July 1999 and continue partially to compensate the pharmaceutical industry for low drug prices under the Pharmaceutical Benefits Scheme. Funding of the EMDG scheme has been capped at \$150 million since 1997-98. Outlays on the Industry Innovation Program (including the R&D Start program) increased in 1997-98. The program also receives substantial additional funding for future years in the *Investing for Growth* Statement.

### *Funding to intermediary institutions*

Commonwealth budgetary assistance is also provided to industries indirectly through the funding of certain intermediaries that perform activities of benefit to industry. Assisted activities — such as export marketing and promotion services, and research and development — raise producers' returns in similar ways to direct financial assistance.

In nominal terms, funding to intermediary organisations has been relatively stable at around \$1 billion since 1993-94. In 1997-98, the major outlays (figure 2.1) were:

- CSIRO's research programs (\$327 million, 20 per cent of total outlays);
- rural R&D corporations (\$160 million, 10 per cent);
- Cooperative Research Centres (CRCs) (\$118 million, 7 per cent);
- Austrade's International Business Services (IBS) (\$122 million, 7 per cent); and
- the Australian Tourist Commission (ATC) (\$78 million, 5 per cent).

Funding to intermediary organisations accounted for the largest share of outlays in the primary production and mining sectors (75 per cent and 96 per cent, respectively) and is predominantly directed at research and development activities in those sectors. Outlays on the manufacturing sector are mainly in the form of direct financial assistance (67 per cent).

The (Mortimer) Review of Business Programs (1997) recommended substantial cuts to funding of CRCs. In August 1997, the Government established the *Review of Greater Commercialisation and Self-funding in the Cooperative Research Centres Programme* (DIST 1998). The Government has decided to adopt the key recommendation of the Review, that funding of CRCs should continue at the current level until a comprehensive review of the program is conducted in 2001 (Moore

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1998a). The Government also announced the revision of CRC program guidelines to improve linkages between science and industry and achieve greater levels of commercialisation. A selection round for new CRCs commenced in 1998.

## **Tax expenditures**

Tax expenditures reached \$2.2 billion, or 56 per cent of total budgetary assistance, in 1996-97, the latest year for which information on actual revenue forgone is available (table 2.2). Tax expenditures have been revised for all past years to incorporate estimates now available for the development allowance and infrastructure bonds concessions. In addition, the R&D tax concession has been reclassified into the relevant sectors based on tax deduction statistics published by the Australian Taxation Office. Previously, the total revenue forgone from the R&D tax concession was allocated to the manufacturing sector.

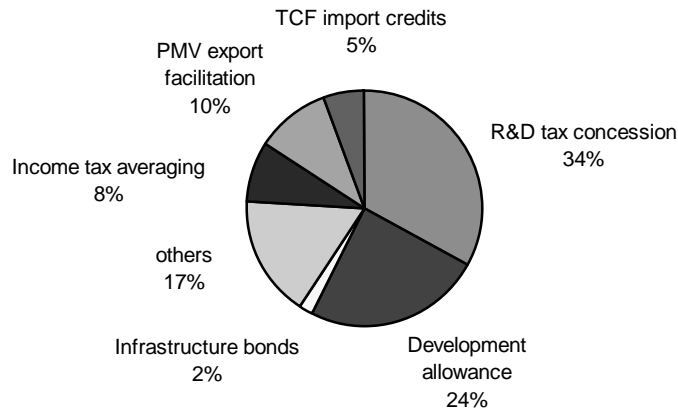
The development allowance and infrastructure bonds were introduced in the 1992 *One Nation* Statement to promote large-scale investment and the private provision of infrastructure. In 1996-97, the development allowance and the infrastructure bonds concession resulted in revenue forgone of \$525 million and \$40 million, respectively.

Other significant measures in terms of revenue forgone in 1996-97 were: the R&D tax concession (\$710 million); the Passenger Motor Vehicle (PMV) Export Facilitation Scheme (\$221 million); the Textiles, Clothing and Footwear (TCF) Import Credits Scheme (\$118 million); and income tax averaging for primary producers (\$180 million) (figure 2.2). The R&D tax concession, in particular, has underpinned growth in total tax expenditures in recent years.

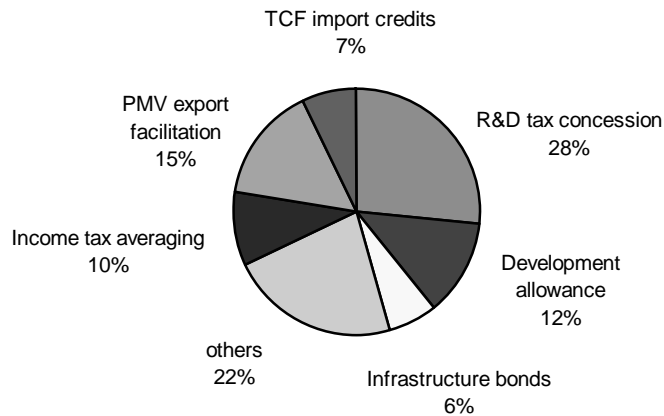
Tax expenditures are projected to fall substantially in 1997-98 due to the tightening of the R&D tax concession and winding down of the development allowance (Treasury 1997b). Revenue forgone under the R&D tax concession is expected to decline from \$710 million in 1996-97 to \$440 million in 1997-98 and, with respect to the development allowance, from \$525 million to \$205 million over the same period. In response to concerns about potential abuses of infrastructure bonds, in the 1997-98 Budget the Government replaced the previous scheme with the infrastructure borrowings tax rebate. Capped at \$75 million in revenue forgone per year, the tax rebate is available for road and rail projects, as well as infrastructure projects for which applications had been made under the previous scheme.

Figure 2.2 **Tax expenditures, by major measures**  
per cent of total

*1996-97*



*1997-98*



Source: Commission estimates.

The Government has foreshadowed changes to the administration of the R&D tax concession to make the concession more accessible to business. The application period for registration will be increased from four to ten months. The Industrial Research and Development (IR&D) Board will have more flexibility to assess applications according to specific circumstances and consider late applications. To reduce compliance costs for companies undertaking low levels of R&D, different information requirements will be designed to apply to different classes of applicant.

In addition, the Government will retain the current definition of R&D activities and introduce measures to ensure the integrity and efficacy of the R&D tax concession (Costello and Moore 1998b).

Table 2.2 **Commonwealth tax expenditures, 1995-96 to 1998-99**  
\$ million

	1995-96	1996-97	1997-98 <sup>a</sup>	1998-99 <sup>a</sup>
<b>PRIMARY PRODUCTION</b>				
Deduction for conserving or conveying water, and conservation measures	30	30	30	30
Deduction of expenditures over four years on acquiring and establishing grape vines	2	3	5	5
Deduction of capital expenditure on establishing horticultural plantations	-	-	1	3
Five year, 10 per cent taxation allowance on drought-prepared assets	2	13	10	9
Income Equalisation Deposits Scheme	9	26	21	-
Farms Management Deposits Scheme	-	-	-	34
Income tax averaging for primary producers	190	180	160	175
<b>Total primary production</b>	<b>233</b>	<b>252</b>	<b>227</b>	<b>256</b>
<b>MANUFACTURING</b>				
Brandy excise preferential rate	6	5	5	5
Deduction of relocating expenses for multinational firms establishing regional headquarters in Australia	6	7	2	2
Development allowance <sup>b</sup>	10	242	94	76
Duty drawback	91	97	79	80
Exemption of business funds used for university R&D <sup>b</sup>	<1	<1	<1	<1
General investment allowance of additional 10 per cent deduction on plant and equipment <sup>c</sup>	200	12	-	-
Immediate deduction of expenditure to obtain patent, design or copyright <sup>b</sup>	25	25	30	30
PMV Export Facilitation Scheme	187	221	251	250
Pooled Development Funds	<1	11	12	12
R&D tax concession <sup>b</sup>	284	263	163	137
TCF Import Credits Scheme	149	118	121	120
TEXCO (Tariff Export Concession)	49	57	80	80
TRADEX	-	-	-	15
<b>Total manufacturing</b>	<b>1 007</b>	<b>1 058</b>	<b>837</b>	<b>807</b>

Table 2.2 (continued)

	1995-96	1996-97	1997-98 <sup>a</sup>	1998-99 <sup>a</sup>
<b>MINING</b>				
Development allowance <sup>b</sup>	29	147	57	46
Exemption of income from sale, transfer or assignment of rights to mine gold	40	40	38	18
R&D tax concession <sup>b</sup>	95	121	75	63
<b>Total mining</b>	<b>164</b>	<b>308</b>	<b>170</b>	<b>127</b>
<b>SERVICES</b>				
Accelerated depreciation of Australian trading ships	18	12	ne	ne
Concessional (10 per cent) tax rate on eligible income from an offshore banking unit	9	13	14	23
Development Allowance <sup>b</sup>	11	137	53	43
Film industry 100 per cent capital deduction	20	22	22	22
Film Licensed Investment Company 100 per cent deduction for investors	-	-	-	na
Infrastructure Bonds	na	40	105	178
Infrastructure Borrowings tax rebate	-	-	38	75
R&D tax concession <sup>b</sup>	297	327	202	170
<b>Total services</b>	<b>355</b>	<b>551</b>	<b>434</b>	<b>511</b>
<b>TOTAL</b>	<b>1 759</b>	<b>2 169</b>	<b>1 668</b>	<b>1 701</b>

- Nil. **na** not available. **ne** not estimated. **a** Treasury forward projections. **b** Commission estimates based on ATO tax deduction data. **c** Qualifying plant and equipment must be ordered from 9 February 1993 and used before July 1994.

Source: Treasury (1997b), ACS (1998) and ATO (1998).

Legislation has been passed to provide a tax rebate for landcare, as part of the Natural Heritage Trust. Farmers with low taxable income can gain access to the new tax rebate (at 34 cents in the dollar) for landcare expenditures. Those who do not qualify for the rebate are still able to claim for landcare expenditures (immediately or over three years) under the existing deductions.

The *Investing for Growth* Statement provided new incentives to attract foreign investment to Australia through the use of tax concessions. These and other recent tax measures are discussed in section 2.3.

The Government has recently reviewed the effectiveness of the existing suite of tax expenditures, but outcomes of the review have not been released publicly. The review was in response to recommendations of the National Commission of Audit in 1996 for a comprehensive review, and examination of the scope to convert tax

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concessions to outlay programs. The National Commission of Audit (1996) considered that tax expenditures have not been subjected to the same degree of scrutiny as budget expenditures in the past and may be a source of discriminatory treatment between competing business activities. The Commission said:

... tax expenditures are a less transparent, more open-ended, but otherwise equivalent mechanism to public sector expenditures for providing assistance to individuals and business (p. ix).

## **Budgetary assistance to exports**

This section examines Commonwealth budgetary assistance to exports, which is an element of total budgetary assistance. Budgetary measures assisting exports have been consolidated in table 2.3. Chapter 3 discusses other arrangements that assist Australian exports, such as the statutory marketing arrangements.

Commonwealth budgetary assistance to exports has remained relatively stable at \$1 billion since 1996-97 (table 2.3). While several export programs (such as the Development Import Finance Facility) were terminated recently (see IC 1997f), assistance under the PMV Export Facilitation Scheme and Tariff Export Concessions has increased. A slight increase in funding for export programs is projected for 1998-99.

The Commission's estimates of budgetary assistance to exports are broader in coverage than estimates of export assistance outlays provided in Commonwealth Budget Papers. The outlays classified as export assistance in the Budget are confined to funding of Austrade's programs and Export Finance and Insurance Corporation (EFIC)'s export credit facilities. In addition to these expenditures, the Commission has classified as export assistance those industry-specific measures which target particular stages of exporting activity, such as export marketing and promotional activities. These include funding to the Australian Tourist Commission, the PMV Export Facilitation Scheme and the TCF Import Credits Scheme. Where the budgetary measures benefit the production of certain goods that are both sold domestically and exported, the share paid on exports is recorded as export assistance.

In response to the recent economic instability in some Asian countries, the Government has provided short-term credit insurance on certain Australian exports to South Korea and Indonesia under the EFIC's National Interest Account. The insurance cover involves actual costs to the Government only if export payments are in default. The original facility of \$300 million for exports to South Korea was extended to \$500 million. National Interest cover for exports to Indonesia comprised

a \$500 million guarantee of wheat sales by the Australian Wheat Corporation and a \$380 million guarantee of cotton exports. Following a review of EFIC's operations and functions in 1997-98, the Government decided that EFIC is to be retained in public ownership and continue its role of providing export assistance through insurance, guarantee and financing support (Moore 1998b).

Table 2.3 **Commonwealth export assistance, 1995-96 to 1998-99**  
\$ million

	1995-96	1996-97	1997-98	1998-99
<b>DIRECT EXPORT MEASURES</b>				
<i>Export finance &amp; insurance services</i>				
Development Import Finance Facility	127	12	-	-
EFIC Government Guarantee <sup>a</sup>				
• Commercial account	8	ne	ne	ne
• National Interest Business (NIB)	8	ne	ne	ne
Other assistance from NIB account	ne	ne	ne	ne
Export Finance Facility interest subsidy	<1	-	-	-
<i>Export marketing and promotional services</i>				
Agri-food industry program	3	1	1	-
Asia Business Links	3	-	-	-
Asian Infrastructure initiative	1	-	-	-
Asia Pacific Fellowship program	1	-	1	-
Australia in Asia	3	1	1	-
Australian Horticultural Corporation	1	1	-	-
Australian Tourist Commission	80	77	78	89
Clean Food Export Strategy	2	-	-	-
Export Access program	3	3	3	4
Export Market Development Grants scheme	220	188	145	153
Innovative Agricultural Marketing program	5	-	3	-
International Business Services (Austrade)	144	121	122	130
International Trade Enhancement scheme	-	-	13	-
Primary Industries Marketing Skills program	<1	<1	-	-
Project Marketing Loans Facility	-	-	-	-
AQIS meat export inspection subsidy	7	12	-	-
Rural Enterprise Network program	1	<1	-	-
Wine Industry Export Development Grant	<1	<1	-	-

Table 2.3 (continued)

	1995-96	1996-97	1997-98	1998-99
<i>Other direct export measures</i>				
Duty drawback <sup>b</sup>	91	97	79	97
Information Technology Development program	2	-	-	-
PMV Export Facilitation Scheme <sup>b,c</sup>	187	221	251	250
TCF Import Credits Scheme <sup>d</sup>	149	118	121	120
TEXCO (Tariff Export Concessions) <sup>b</sup>	49	57	80	80
TRADEX	-	-	-	15
<b>Sub-total</b>	<b>1 095</b>	<b>909</b>	<b>899</b>	<b>922</b>
<b>OTHER MEASURES AFFECTING EXPORTS<sup>e</sup></b>				
Australian Leather Holdings Package	-	30	13	13
Bounties <sup>f</sup>				
• Computers	29	25	37	18
• Machine tools and robots	3	3	-	-
• Shipbuilding	19	18	18	18
Factor f – pharmaceuticals <sup>f</sup>	48	66	78	72
Private Sector Linkages program	4	3	3	3
<b>Sub-total</b>	<b>103</b>	<b>144</b>	<b>133</b>	<b>124</b>
<b>TOTAL EXPORT ASSISTANCE</b>	<b>1 198</b>	<b>1 053</b>	<b>1 032</b>	<b>1 046</b>

<sup>ne</sup> Not estimated. <sup>na</sup> Not available. - Nil. <sup>a</sup> Commission estimates. Assistance is assumed to equal the difference between interest payable on EFIC's borrowings at a market interest rate and a government low risk rate of interest. <sup>b</sup> Figures for 1998-99 are Commission estimates. <sup>c</sup> Estimates of revenue forgone are for calendar years, 1995, 1996 and 1997. <sup>d</sup> ACS financial year estimates, representing the actual value of import credits issued, which equals the duty forgone when credits are used. Data for 1998-99 are Commission estimates. <sup>e</sup> Export assistance is also provided under the Commonwealth support arrangement for manufacturing milk — the Dairy Market Support Payments. The arrangement is discussed in chapter 3. <sup>f</sup> Figures for bounty programs and Factor f relate to the export component of the program.

Source: Commonwealth Budget Papers, ACS (1998) and Commission estimates.

The Australian Tourist Commission is to receive additional funding of \$41 million over four years for increased promotional activity in the USA, UK and Europe. The Department of Industry, Science and Tourism (DIST) is to receive additional funding of \$8 million over four years to develop the tourism potential of rural and regional Australia.

The *Investing for Growth* Statement (discussed below) announced that the Export Market Development Grants scheme will operate for another two years until 2001-02 at the capped funding level of \$150 million per year. Funding for the Export Access program will also be extended to 2001-02. A new export program — TradeStart — has been established to improve access to Austrade services for new

exporters in rural and regional areas. In addition, the Duty Drawback and Tariff Export Concession schemes — and also the temporary importation provisions of the *Customs Act 1901* — are to be integrated into a single streamlined scheme to be known as TRADEX. TRADEX will provide relief from customs and excise duties, and sales tax on imported goods which are intended for re-export or used as inputs into exports.

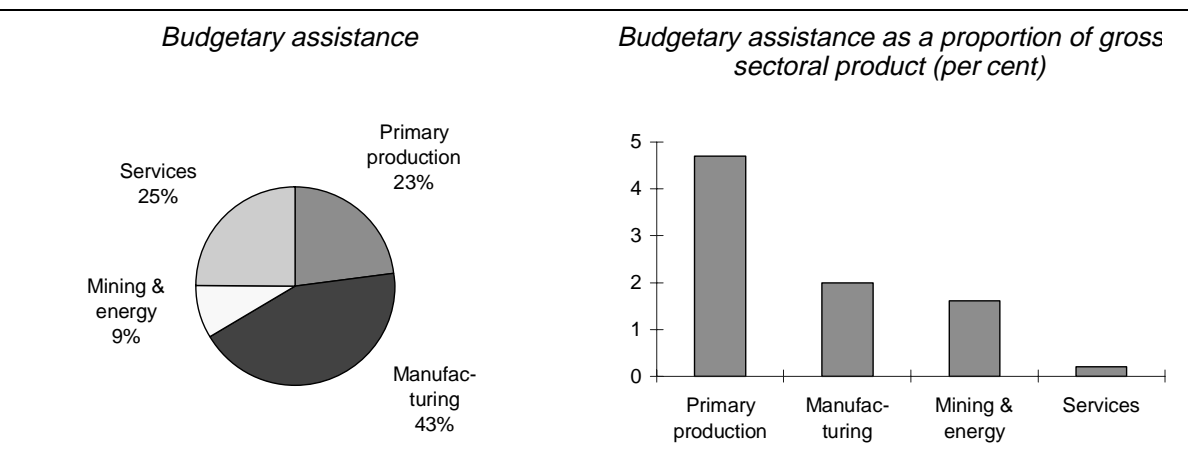
### Budgetary assistance by sector

The level and form of budgetary assistance vary markedly between sectors. Manufacturing continued to receive the largest share of budgetary assistance in 1997-98 (43 per cent). Services accounted for nearly 25 per cent, and primary production 23 per cent. Mining received the smallest share (9 per cent) (figure 2.3).

As indicated earlier, the estimation of the sectoral distribution of budgetary assistance this year incorporates the revision of revenue forgone data on the incidence of some tax concessions. This has increased the share of assistance going to services and mining, although manufacturing still receives by far the largest share.

As a proportion of gross sectoral product (GSP), budgetary assistance was highest for primary production in 1997-98 (5 per cent). Assistance represented 2 per cent of GSP for the manufacturing sector, less than 2 per cent for the mining sector, and less than 1 per cent for services.

Figure 2.3 **Budgetary assistance, by sector, 1997-98**



Source: Commission estimates.

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### *Primary production*

Budgetary assistance to agriculture, forestry and fisheries fell slightly to \$770 million in 1997-98 (tables 2.2 and 2.5). Assistance is provided predominantly by means of outlays (70 per cent). The major outlays are on rural R&D corporations (\$160 million), CSIRO research programs on animals and plants (\$113 million) and the Rural Adjustment Scheme (\$82 million). Changes in assistance arrangements for agriculture, recently announced in the *Agriculture — Advancing Australia* Statement are discussed below.

The major tax expenditure benefiting the sector is income tax averaging. Treasury estimates of the revenue forgone from this concession for earlier years have been revised substantially. For 1996-97 the estimate increased by nearly \$50 million to \$180 million (table 2.2), accounting for 70 per cent of total tax expenditures for primary production in that year.

### *Manufacturing*

Budgetary assistance to the manufacturing sector declined by 13 per cent to \$1.5 billion in 1997-98 (tables 2.2 and 2.6). The decline mainly reflects the reduction in the R&D tax concession. The major programs supporting manufacturing are:

- the R&D tax concession;
- the Factor f scheme;
- the PMV Export Facilitation Scheme; and
- the TCF Import Credits Scheme.

### *Mining and energy*

Budgetary assistance to the mining and energy sector fell by 33 per cent to \$290 million in 1997-98 as a result of the reduction in the R&D tax concession and the development allowance (tables 2.2 and 2.7). Budgetary assistance to the sector consists mainly of outlays for CSIRO research into minerals and energy, the R&D tax concession and the development allowance.

### *Services*

Budgetary assistance to the services sector fell by 14 per cent to \$840 million in 1997-98 due to the winding down of the development allowance (tables 2.2 and

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2.8). The major programs for the services sector include the R&D tax concession (syndication arrangements), development allowance, infrastructure bonds and funding for the Australian Tourist Commission.

## 2.3 Recent developments

During the past year, the Commonwealth Government has committed to several budgetary assistance initiatives spanning trade, investment and R&D as well as targeting particular industries. The most significant decisions were announced in the *Investing for Growth* Statement and the *Agriculture — Advancing Australia* Statement. Details of the new assistance arrangements (post-2000) for the PMV and TCF industries were also announced.

### Investing for Growth

The *Investing for Growth* Statement in December 1997 (Commonwealth of Australia 1997), was a response to the (Mortimer) Review of Business Programs, the Information Industries Taskforce (the Goldsworthy Report) and various industry proposals calling for increased budgetary assistance. The funding commitments amounted to \$1.2 billion over the four years to 2001-02, consisting of R&D support, investment incentives, export assistance and specific incentives for the information technology industry (table 2.4).

The funding in *Investing for Growth* does not have a significant impact on assistance levels in 1997-98 and 1998-99. However, the initiatives announced in the Statement will increase total budgetary assistance by more than \$200 million in 1999 to 2000, with the impact rising to nearly \$500 million in 2001-02. These figures do not include the investment incentives, which have not been costed, but have the potential to provide significant additional assistance.

The composition of budgetary assistance is likely to change as a result of *Investing for Growth*. The industry support measures in the Statement are mainly outlays, rather than tax expenditures. The major outlays — such as the R&D Start program — are in the form of direct financial assistance.

The package of measures in *Investing for Growth* appears to reflect a more proactive approach to industry assistance. Some of the schemes, such as the proposed investment incentives, are characterised by a high degree of discretion and lack the transparency of some of the support measures (such as bounties) that are being phased out. Assistance for R&D also is increasingly taking the form of discretionary

grants, assessed on a case-by-case basis, rather than the more generally available R&D tax concession.

**Table 2.4 Investing for Growth Statement**  
\$ million, constant prices

	1997-98	1998-99	1999-00	2000-01	2001-02	Total over 5 years
<i>Research and development</i>						
R&D Start	-	43	115	182	216	556
Innovation Investment Fund	-	-	12	15	16	43
Technology diffusion	-	-	17	27	28	72
<i>Investment</i>						
Invest Australia	-	3	3	11	11	28
Investment incentives	na	na	na	na	na	na
<i>Financial services</i>						
Australia as a financial centre <sup>a</sup>	1	14	22	22	22	81
<i>Export and trade</i>						
EMDG	-	-	-	150	150	300
TradeStart and Export Access	-	1	4	4	4	13
APEC Market Integration/ Industrial Collaboration	-	4	4	4	4	18
TRADEX <sup>a</sup>	-	15	30	30	30	105
<i>Information Technology</i>						
Software Engineering Centres	-	7	7	7	7	28
<b>Total budgetary assistance</b>	<b>1</b>	<b>87</b>	<b>214</b>	<b>452</b>	<b>488</b>	<b>1 244</b>
<b>TOTAL FUNDING</b>	<b>6</b>	<b>92</b>	<b>217</b>	<b>456</b>	<b>492</b>	<b>1 263</b>

- Nil. **na** not available. <sup>a</sup> Revenue forgone.

Source: Commonwealth of Australia (1997).

### *Business R&D*

Existing Commonwealth support of business R&D is provided mainly through the broad-based R&D tax concession, and the discretionary and targeted Industry Innovation program. The program, administered by the IR&D Board, includes the R&D Start program and the Innovation Investment Fund. In *Investing for Growth*, the R&D Start program is expanded and receives significant increases in funding (an additional \$556 million over the next four years). The Innovation Investment

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Fund is also allocated additional funding, with greater emphasis placed on the commercialisation of R&D.

The R&D Start program now has the additional role of attracting foreign investment. *R&D Start* will be used to:

... encourage overseas companies to establish R&D facilities in Australia. Where the benefits of R&D are to be retained in Australia, these firms will have access to R&D funding on a competitive basis. This complements the Government's broader strategy to attract foreign investment to Australia. (Commonwealth of Australia 1997, p.33)

Under R&D Start, competitive grants are available through three components. The *core grants* component provides similar benefits to the previous R&D Start program (50 per cent of project cost for companies with average turnover of less than \$50 million). The *R&D Start-Plus* component covers large companies and focuses on commercialisation (with grants of up to 20 per cent of the project cost). The *R&D Start-Premium* component provides premium assistance over and above the core grants and R&D Start-Plus (up to 72 per cent of project cost), conditional upon the successful commercialisation of technologies. *R&D Start-Premium* will be made available for 'projects deemed to be of exceptional merit and with outstanding prospects for commercialisation' (Commonwealth of Australia 1997, p. 33).

The R&D Start program confers a higher subsidy than that of the 125 per cent R&D tax concession. The core grants give an after-tax benefit of 68 cents in the dollar, equivalent to a 189 per cent tax concession. The after-tax benefit of 54 cents in the dollar under R&D Start Plus is equivalent to a 150 per cent R&D tax concession while R&D Start-Premium provides assistance up to the equivalent of a 200 per cent R&D tax concession (Commonwealth of Australia 1997).

The Innovation Investment Fund was introduced initially as the Small Business Innovation Fund in the 1996-97 Budget. The program provides venture capital funds to small technology firms to assist the commercialisation of R&D. Assistance is through the creation of investment funds (funded on a 2:1 basis with private sector capital) which make equity investments in small companies commercialising technology. *Investing for Growth* allocates another \$43 million over four years in addition to the \$130 million funding for the program announced in March 1997.

Under the Technology Diffusion program, grants are available to projects that facilitate the uptake of 'new and appropriate technologies'. Eligible recipients include companies, technology centres, universities, cooperative research centres, TAFEs, CSIRO and consortia of these. Grants are made to a maximum of 50 per cent of project cost with a requirement for matching contributions.

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### *Investment incentives*

The (Mortimer) Review of Business Programs (1997) recommended the use of large-scale investment incentives to attract foreign investment to Australia. In *Investing for Growth*, the Government has committed to the provision of investment incentives in limited circumstances. The investment incentives — in the form of grants, tax relief or the provision of infrastructure services — are to target major, high technology projects with ‘strategic’ characteristics. The Office of the Strategic Investment Coordinator has been established to advise the Government on the need for investment incentives and to assess investment projects on a case-by-case basis. In addition to these incentives, investment attraction is to be carried out through the R&D Start program. *Investing for Growth* did not provide any indication of the likely budgetary costs of the proposed incentives.

In June 1998, the Government granted a wholesale sales tax exemption for space vehicles and satellites to be launched in Australia. The exemption is designed to facilitate the development of the commercial space industry in Australia (Costello and Moore 1998a). The Commonwealth has entered into an agreement with Kistler Aerospace Corporation to establish commercial space facilities at Woomera. A Space Licensing and Safety Office has been established for regulation of space activities. No estimates of the revenue forgone from the tax concession have been made public.

In addition, Invest Australia has been established with annual funding of \$11 million to promote overseas investment in Australia. Subsuming the Investment Promotion and Facilitation program, Invest Australia undertakes investment promotion activities and provides advice on investment opportunities and proposals. It also undertakes existing Major Projects Facilitation functions and coordinates with State and Territory governments on investment promotion.

### **Agriculture — Advancing Australia**

In October 1997, the Government announced *Agriculture — Advancing Australia* with funding of \$500 million over the next four years. The key measures include:

- Rural Adjustment Scheme (RAS) — transitional arrangements (\$116 million);
- Farm Business Improvement Program (\$50 million);
- Farm Family Restart scheme (\$120 million);
- Farm Management Deposits scheme (\$60 million);

- 
- Funding for exceptional circumstances, including drought;<sup>2</sup>
  - Drought Relief Payment — extended recovery assistance (\$41 million); and
  - Retiring farmer assistance — access to the age pension (\$78 million).

### *RAS transitional arrangements and Farmbis*

Funding for RAS transitional arrangements covers the applications for interest rate subsidies received before 30 September 1997, following the Government's decision to discontinue the interest rate subsidies (Anderson 1997a).

The Farm Business Improvement program (FarmBis) replaces the RAS's education and training components. FarmBis funds projects designed to improve farm business management skills. RAS support for farm management skills and professional advice ended on 1 July 1998 when FarmBis commenced operation.

### *Farm Family Restart scheme*

The Farm Family Restart scheme, commencing in December 1997, provides income support to the farm sector and re-establishment grants to farmers leaving the industry. The income support, payable for a maximum period of one year, is paid at the same rate as the NewStart allowance. Recipients are not required to satisfy an activity test or put the farm on the market, but must obtain professional advice and counselling on future viability of the farm business.

The re-establishment grant (up to \$45 000) is available to farmers who sell their land and enter the scheme in the first two years of its operation. Under the new asset test, farmers can have up to \$90 000 in assets to qualify for the maximum grant (the previous limit was \$45 000).

### *Farm Management Deposits scheme*

The Farm Management Deposits scheme replaces the Income Equalisation Deposits Scheme and Farm Management Bonds. The scheme allows primary producers to make deposits to the scheme when surplus funds are available and withdraw the holdings in less successful years. The fully taxable deposits are subject to a 20 per cent withholding tax when withdrawn, but the withholding tax can be varied in times of financial hardship (due to climatic events or market downturn).

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<sup>2</sup> Estimates of outlays are not available.

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Administration of the scheme has been transferred from the Department of Primary Industries and Energy to financial institutions.

### *Exceptional circumstances and Drought Relief Payment*

The new Exceptional Circumstances Relief Payment (ECRP) replaces the current Drought Relief Payment. Income support equivalent to the NewStart Allowance is available to eligible farmers in declared exceptional circumstances (rare and severe events, including but not restricted to, extreme drought). Eligibility will be subject to an income test and off-farm asset test. The duration of the payment is to be assessed on a case-by-case basis.

*Agriculture — Advancing Australia* also allocates \$41 million in funding to extend the recovery period for Drought Relief Payments.

### *Retirement Assistance for Farmer Scheme*

Under previous arrangements, gifting of assets of more than \$10 000 a year disqualifies aged people from receiving a pension or allowance or reduces their entitlements for a period of five years. The new scheme gives aged farmers a three year moratorium in which their assets can be transferred to the younger generation without loss of entitlement to social security payments. The moratorium is also open to farmers who have transferred their assets in the five years preceding September 1997. To be eligible, farmers must have owned the property for at least 15 years (or have been involved in farming for 20 years) and have an average income less than the age pension.

## **Automotive Competitiveness and Investment Scheme**

The Industry Commission reported last year (IC 1997f) on the Government's announcement of post-2000 assistance arrangements for the passenger motor vehicle (PMV) industry. The Government indicated that a replacement for the Export Facilitation Scheme (EFS) would be introduced after 2000, but details were not available at that time.

Recently the Government announced that the Automotive Competitiveness and Investment Scheme (ACIS) will replace the EFS and operate for five years from 1 January 2001 (Fisher and Moore 1998). The Customs Legislation (Automotive Competitiveness and Investment Scheme) Bill 1998 provides for the creation of the ACIS and the implementation of the announced decisions to maintain PMV tariffs at 15 per cent until 2004 and to reduce them to 10 per cent from 2005.

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The ACIS will provide assistance through two sub-schemes, covering passenger motor vehicle producers (the PMVP sub-scheme), and component manufacturers and service providers (the CMSP sub-scheme). Under the ACIS, eligible firms can use transferable credits to reduce the customs duty payable on eligible imports. Reflecting some provisions of the World Trade Organization, the scheme limits the benefits to 5 per cent of sales for an individual firm in any year.

The duty credits available under the PMVP sub-scheme will be calculated on the basis of a broadened duty free allowance and investment allowance. The existing duty free allowance entitles PMV producers to duty free imports of vehicles up to 15 per cent of their value of production in Australian and New Zealand markets. The PMVP sub-scheme provides for an increase in the duty free entitlement to 25 per cent, and the value of production is expanded to cover all markets (including export markets) and includes engines and certain engine parts in addition to PMVs. In addition, import duty credits are available for up to 10 per cent of investment in productive assets. PMV producers are also able to earn credits for R&D investment on behalf of third parties.

The CMSP sub-scheme will provide duty credits at 25 per cent of investment in productive assets and 45 per cent of investment in R&D.

Total import duty forgone for the ACIS is capped at \$2 billion over five years from 2001. This estimate excludes the uncapped entitlements under the existing 15 per cent duty free allowance which is projected to cost around \$170 million per year.

## **Textiles, clothing and footwear industries**

Last year the Government announced a new package of assistance measures for the TCF industry to operate from 2000 (Howard and Moore 1997). The announcement provided an outline of the key measures, but funding details were not announced until July this year (Moore 1998d).

The package, estimated to cost \$772 million, has five major components:

- TCF Strategic Investment Program, including a Regional Adjustment Package;
- TCF Technology Development Fund;
- National Framework for Excellence in TCF Training;
- TCF Market Development Program; and
- Expanded Overseas Assembly Provisions Scheme.

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The TCF Strategic Investment Program (SIP) is the most significant component of the package. The program is allocated a capped funding of \$700 million for the period 2000 to 2005. Eligible activities are investment in new plant and equipment, research and development and product development. Cash payments will be available for up to 20 per cent of investment expenditures, up to 45 per cent of R&D activities, and up to 5 per cent of value added. Total benefits under the scheme are subject to a limit of 5 per cent of sales of eligible products in the previous year.

As part of the SIP, the Regional Adjustment Package will provide structural adjustment assistance to regions. Payments will be made to assist the purchase of 'state of the art' second hand plant and equipment where existing firms have consolidated or merged. Firms will need to demonstrate improvements in business efficiency or outputs, commitment to training of affected staff and other economic benefits.

## **Other developments**

### *Renewable energy*

In November 1997, the Government announced several funding initiatives to address climate change and reduce greenhouse gas emissions (Hill et al. 1997). Costing a total of \$180 million over five years, the package includes the establishment of a Renewable Energy Innovation Investment Fund, provision of concessional loans and grants to strategic renewable energy projects, and creation of a Renewable Energy Technology site and a 'show case' fund. The Renewable Energy Innovation Investment Fund facilitates equity investment for the commercialisation of renewable energy technology.

### *Film industry*

In November 1997, the Government announced its response to the recommendations of the *Review of Commonwealth Assistance to the Film Industry* (Gonski 1997). The response includes:

- retention of Film Australia in Commonwealth ownership;
- extension of Film Australia's National Interest program until 2003, with annual funding of \$4.6 million for the production of documentaries;
- retention of current tax concessions for investment in Australian film and television production (Divisions 10B and 10BA of the *Income Tax Assessment Act 1936*); and

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- introduction of a 100 per cent tax concession for investors in companies licensed to invest in film and television production — the Film Licensed Investment Scheme. The new scheme will operate as a pilot scheme for two years from 1998-99 with total revenue forgone of up to \$20 million (Alston 1997).

### *Pork industry*

In December 1997, the Government announced the National Pork Industry Development Program with funding of \$10 million to improve the competitiveness of the pork industry (Anderson 1997b). In June 1998, the Government announced additional funding of \$8 million for the new Pigmear Processing Grants Program. These programs aim to assist the industry to meet import competition and develop new export opportunities (Anderson and Fisher 1998a).

Table 2.5 **Commonwealth budgetary outlays on primary production, 1995-96 to 1998-99**

\$ million

	1995-96	1996-97	1997-98	1998-99 <sup>a</sup>
<b>DIRECT FINANCIAL ASSISTANCE</b>				
<i>Industry-specific programs</i>				
Citrus industry market diversification subsidy	2	2	2	2
Forest Industry structural adjustment Package	4	5	9	39
Wine industry loan conversion	-	2	-	-
<b>Sub-total</b>	<b>7</b>	<b>9</b>	<b>11</b>	<b>41</b>
<i>Sector-specific programs</i>				
Drought Relief Payments Scheme	-	-	-	-
Farm Family Restart Program	-	-	21	40
Farm Household Support Scheme	1	1	1	-
Rural Adjustment Scheme	115	106	82	42
<b>Sub-total</b>	<b>116</b>	<b>106</b>	<b>103</b>	<b>81</b>
<i>General programs</i>				
Austrade				
• Export Market Development Grants scheme	6	5	4	4
• Innovative Agricultural Marketing Program	5	-	3	-
Commonwealth Development Bank subsidy	10	-	-	-
EFIC — National Interest Business <sup>b</sup>	17	21	15	17
Tasmanian Freight Equalisation Scheme	3	3	3	3
<b>Sub-total</b>	<b>41</b>	<b>29</b>	<b>24</b>	<b>24</b>
<b>Total direct financial assistance</b>	<b>163</b>	<b>144</b>	<b>138</b>	<b>146</b>
<b>FUNDING TO INTERMEDIARY ORGANISATIONS</b>				
<i>Industry-specific programs</i>				
<i>Crops</i>				
Australian Horticultural Corporation	1	1	-	-
Australian Plague Locust Commission	1	<1	1	1
Sugar Industry Program	2	4	3	4
Tri-State fruit fly strategy	<1	<1	<1	<1
<i>Livestock, poultry etc</i>				
AQIS meat inspection subsidy	7	12	-	-
Australian Animal Health Laboratory	6	6	6	6
Bovine brucellosis and tuberculosis eradication campaign	3	2	2	-
Exotic disease preparedness programs	2	1	2	1

Table 2.5 (continued)

	1995-96	1996-97	1997-98	1998-99 <sup>a</sup>
Pork Industry Development Group Grant	-	-	2	4
<i>Forestry</i>				
Commonwealth-NSW Forest Industry Package	2	1	1	3
Commonwealth-Tasmanian Forest Industry Package	9	-	-	-
National Forest Policy Program	3	7	7	6
NSW Southeast Forests Package	2	1	4	-
Plantation initiatives				
• National Forest Policy Program	<1	4	4	3
• North Queensland Community Rainforests Revegetation Program	1	1	-	-
<b>Sub-total</b>	<b>40</b>	<b>42</b>	<b>31</b>	<b>30</b>
<b><i>Research &amp; development<sup>c</sup></i></b>				
Cooperative Research Centres	24	36	35	34
CSIRO Institute of Animal Production and Processing	64	d	d	d
CSIRO Institute of Plant Production and Processing	85	d	d	d
CSIRO plant and animal research	-	101	113	118
Fisheries research and development	13	15	11	10
Fisheries resources research	2	2	2	2
Grains (wheat and other <sup>e</sup> )	21	29	34	34
Horticulture	11	12	16	17
Land and Water Resources R&D Corporation	11	10	11	11
Other rural research <sup>f</sup>	28	27	35	35
Meat research	23	21	26	25
Rural Industries R&D Corporation	11	6	11	11
Wool	12	10	13	14
<b>Sub-total</b>	<b>304</b>	<b>268</b>	<b>308</b>	<b>311</b>
<b><i>Sector-specific programs</i></b>				
Agribusiness programs <sup>g</sup>	7	1	-	1
Clean food export strategy	2	-	-	-
Clean Food Production Program	2	-	1	1
Farm Business & Community Programs	-	-	6	22
National Landcare Program	83	66	54	55
Rural Communities Access Program <sup>h</sup>	12	9	5	-
<b>Sub-total</b>	<b>107</b>	<b>76</b>	<b>65</b>	<b>78</b>

Table 2.5 (continued)

	1995-96	1996-97	1997-98	1998-99 <sup>a</sup>
<b>General programs</b>				
Austrade – export promotion operating expenses	4	3	3	3
<b>Total funding to intermediary organisations</b>	<b>454</b>	<b>389</b>	<b>406</b>	<b>421</b>
<b>TOTAL OUTLAYS ON PRIMARY PRODUCTION</b>	<b>618</b>	<b>533</b>	<b>544</b>	<b>567</b>

<sup>a</sup> Nil. Figures may not add to total due to rounding. <sup>a</sup> 1998-99 data are Budget appropriations. <sup>b</sup> The estimates reported in this section are net National Interest Business outlays. These payments are insurance pay-outs. Because any difference between the National Interest Business scheme's borrowing and lending rates is underwritten by the Commonwealth, the scheme may provide assistance to agricultural exporters. However, net National Interest Business outlays provide only a weak indication of any assistance provided. <sup>c</sup> Estimates are derived in part from the Science and Technology Budget Statement 1998-99. <sup>d</sup> CSIRO Research Institutes were restructured in 1995-96. Outlays are now apportioned by research purpose. <sup>e</sup> Other includes barley, grain legumes and oilseeds. <sup>f</sup> Other industries, including dairy, chicken meat, pig meat, eggs, cotton, dried vine fruits, grapes and wine, honey, sugar and tobacco. <sup>g</sup> The Agribusiness programs were formed in 1994 to manage five existing programs. These were the Primary Industries Marketing Skills Program, the Rural Development Incentive Scheme, the Rural Enterprise Network Program, the Rural Industries Business Extension Service, and the World Best Practice Incentive Scheme. <sup>h</sup> The Rural Communities Access Program, introduced in 1994-95, combined several existing programs.

*Source:* Commonwealth Budget and Budget related papers (various years), departmental annual reports (various years) and Commission estimates.

Table 2.6 **Commonwealth budgetary outlays on the manufacturing sector, 1995-96 to 1998-99**

\$ million

	1995-96	1996-97	1997-98	1998-99 <sup>a</sup>
<b>DIRECT FINANCIAL ASSISTANCE</b>				
<i><b>Industry-specific programs</b></i>				
<i>Bounties</i>				
Bed sheeting	<1	-	-	-
Books	22	13	7	1
Computers	64	54	49	40
Ethanol	2	<1	-	-
Machine tools and robots	7	6	4	2
Printed fabrics	<1	-	-	-
Ships	24	23	19	22
Textile yarns	6	-	-	-
<i>Sub-total</i>	<i>125</i>	<i>96</i>	<i>79</i>	<i>65</i>
<i>Other industry-specific programs</i>				
Australian Leather Holdings package <sup>b</sup>	-	30	13	13
Equity in the Australian Technology Group	-	-	-	-
Information Technology Development Program	2	-	-	-
Pharmaceutical industry Factor f program	106	146	174	159
Tasmanian wheat freight subsidy	2	1	1	1
TCF programs <sup>c</sup>				
• TCF Industries Development Strategy	<1	-	-	-
• TCF 2000 Strategy	-	3	6	4
Wine Industry Package				
• Grants to wine makers	2	-	-	-
• Export development grant	<1	<1	-	-
<i>Sub-total</i>	<i>114</i>	<i>181</i>	<i>194</i>	<i>177</i>
<b>Sub-total</b>	<b>238</b>	<b>277</b>	<b>273</b>	<b>243</b>
<i><b>General programs</b></i>				
<i>Austrade</i>				
• Asia Business Links	3	-	1	-
• Asia Pacific Fellowship	1	-	1	-
• Export Market Development Grants scheme	88	75	58	61
• International Trade Enhancement Scheme	-	1	13	-
Commonwealth Development Bank subsidy	6	-	-	-
Development Import Finance Facility	109	12	-	-
Interest subsidy for financing eligible export transactions (EFIC)	<1	-	-	-

Table 2.6 (continued)

	1995-96	1996-97	1997-98	1998-99 <sup>a</sup>
IR&D Board programs				
• Industry Innovation Program grants <sup>d</sup>	52	-	-	-
• Industry Innovation (incl R&D Starts)	-	56	91	128
• Innovation Investment Fund	-	-	-	14
Technology Support Centres	12	7	19	-
Technology Diffusion Program	-	-	-	18
Tasmanian Freight Equalisation Scheme	36	35	30	30
<b>Sub-total</b>	<b>215</b>	<b>110</b>	<b>140</b>	<b>195</b>
<b>Total direct financial assistance</b>	<b>453</b>	<b>387</b>	<b>413</b>	<b>437</b>
<b>FUNDING TO INTERMEDIARY ORGANISATIONS</b>				
<b>Industry-specific programs</b>				
Agri-Food Industry Program	3	1	1	-
National Space Program	3	3	<1	-
<b>Sub-total</b>	<b>5</b>	<b>4</b>	<b>2</b>	<b>-</b>
<b>General programs</b>				
Austrade				
• Export Access Program	3	3	3	4
• Export promotion operating expenses	56	48	49	52
Australian Made Campaign	2	<1	-	-
Best Practice Demonstration Program	2	<1	-	-
Cooperative Research Centres	34	40	42	41
CSIRO Institute of Industrial Technologies	67	e	e	e
CSIRO manufacturing research <sup>e</sup>	-	98	81	83
Enterprise Development Program <sup>f</sup>	29	22	11	11
Enterprise Networking Program	6	7	4	4
Greenhouse Response Strategy	<1	1	2	2
Investment Promotion and Facilitation Program	8	<1	<1	<1
Private Sector Linkages Program	4	3	3	3
Support for Australian suppliers	2	-	-	-
<b>Sub-total</b>	<b>214</b>	<b>224</b>	<b>199</b>	<b>198</b>
<b>Total funding to intermediary organisations</b>	<b>220</b>	<b>228</b>	<b>200</b>	<b>198</b>
<b>TOTAL OUTLAYS ON MANUFACTURING</b>	<b>673</b>	<b>614</b>	<b>614</b>	<b>635</b>

<sup>a</sup> Nil. Figures may not add to total due to rounding. <sup>a</sup> 1998-99 data are Budget appropriations. <sup>b</sup> The 1996-97 figure includes a grant of \$5 million and a loan of \$25 million. <sup>c</sup> Some individual programs involve funding for services. <sup>d</sup> Disaggregated information on the schemes included under the Industry Innovation Program is not available. In the *Working Nation* statement, the programs were merged into a single program for which multiple criteria apply. Funding for the R&D Start Program is included here. <sup>e</sup> CSIRO Research Institutes were restructured in 1995-96. Outlays are now apportioned by research purpose. <sup>f</sup> The National Industry Extension Service forms part of the Enterprise Development Program.

Source: Commonwealth Budget and Budget related papers (various years), departmental annual reports (various years) and Commission estimates.

Table 2.7 **Commonwealth budgetary outlays on the mining and energy sector, 1995-96 to 1998-99**

\$ million

	1995-96	1996-97	1997-98	1998-99 <sup>a</sup>
<b>DIRECT FINANCIAL ASSISTANCE</b>				
<i>Industry-specific programs</i>				
National Electricity Market Management and Code Administrator Companies – establishment subsidy	-	<1	-	-
National Electricity Market Systems Development Project	<1	3	-	-
Rehabilitation of former uranium mine sites	<1	<1	<1	<1
<i>General programs</i>				
Export Market Development Grants scheme	6	5	4	4
Tasmanian Freight Equalisation scheme	1	1	1	1
<b>Total direct financial assistance</b>	<b>8</b>	<b>9</b>	<b>5</b>	<b>5</b>
<b>FUNDING TO INTERMEDIARY ORGANISATIONS</b>				
Austrade – export promotion operating expenses	4	3	3	3
Coal Australia Promotion Program	1	-	-	-
Cooperative Research Centres	16	23	22	23
CSIRO Institute of Minerals, Energy and Construction	68	b	b	b
CSIRO minerals and energy research <sup>b</sup>	-	73	64	68
Energy R&D Corporation	12	7	21	2
Energy sector initiatives	1	-	-	-
National Energy Efficiency Program <sup>c</sup>	4	4	2	4
Office of the Supervising Scientist of the Alligator Rivers Region Research Institute	5	4	4	4
Renewable energy grants	-	-	-	4
<b>Total funding to intermediary organisations</b>	<b>111</b>	<b>113</b>	<b>115</b>	<b>103</b>
<b>TOTAL OUTLAYS ON MINING AND ENERGY</b>	<b>119</b>	<b>123</b>	<b>120</b>	<b>108</b>

- Nil. Figures may not add to total due to rounding. <sup>a</sup> 1998-99 estimates are Budget appropriations. <sup>b</sup> CSIRO Research Institutes were restructured in 1995-96. Outlays are now apportioned by research purpose. <sup>c</sup> Previously the Energy Management Program.

Source: Commonwealth Budget and Budget related papers (various years), departmental annual reports (various years) and Commission estimates.

Table 2.8 **Commonwealth budgetary outlays on selected services industries, 1995-96 to 1998-99**

\$ million

	1995-96	1996-97	1997-98	1998-99 <sup>a</sup>
<b>DIRECT FINANCIAL ASSISTANCE</b>				
<i>Industry-specific programs</i>				
Asian Infrastructure Initiative	1	-	-	-
Australian Film Commission <sup>b</sup>	21	28	30	16
Australian Film Finance Corporation & Film Australia <sup>b</sup>	57	55	48	48
Bass Strait passenger subsidy	<1	<1	<1	<1
Capital Grants Scheme for purchase of trading ships (contingent on lower crewing levels)	31	9	4	-
Commercial television production fund	20	8	-	-
Development Import Finance Facility	18	3	-	-
Film industry multimedia development subsidy	2	-	-	-
Pharmacy Restructuring grants	7	5	8	12
Remote air services subsidy	1	1	1	-
Remote commercial television subsidy	1	1	1	-
<i>General programs</i>				
Export Market Development Grants scheme	121	103	80	84
Commonwealth Development Bank subsidy	6	-	-	-
Tasmanian Freight Equalisation Scheme	2	2	2	2
<b>Total direct financial assistance</b>	<b>288</b>	<b>216</b>	<b>173</b>	<b>163</b>
<b>FUNDING TO INTERMEDIARY ORGANISATIONS</b>				
Ausmusic	1	-	-	-
Austrade – export promotion operating expenses	77	66	60	71
Australia in Asia	3	1	1	1
Australian Tourist Commission	80	77	78	89
Cooperative Research Centres	17	17	18	19
CSIRO Institute of Information Science and Engineering	38	c	c	c
CSIRO services industry research <sup>c</sup>	-	43	69	70
Multi-Function Polis	3	-	-	-
Tourism and Expo programs <sup>d</sup>	13	7	7	2
<b>Total funding to intermediary organisations</b>	<b>232</b>	<b>212</b>	<b>234</b>	<b>253</b>
<b>TOTAL OUTLAYS ON SERVICES</b>	<b>520</b>	<b>428</b>	<b>407</b>	<b>416</b>

- Nil. Figures may not add to total due to rounding. <sup>a</sup> 1998-99 data are Budget appropriations. <sup>b</sup> Assistance through provision of services is also provided. <sup>c</sup> CSIRO Research Institutes were restructured in 1995-96. Outlays are now apportioned by research purpose. <sup>d</sup> Outlays include funding for the National Tourism Development Plan and the Bureau of Tourism Research.

Source: Commonwealth Budget and Budget related papers (various years), departmental annual reports (various years) and Commission estimates.