
3 The allocation of specific budgetary assistance measures

3.1 R&D tax concession

The R&D tax concession is administered jointly by AusIndustry and the ATO and allows Australian companies to claim a deduction from their taxable income of up to 125 per cent on eligible R&D activities. The program is identified as budgetary assistance because it selectively benefits firms engaged in R&D activity. It is measured as the tax revenue forgone as a result of the concession.

The Commission allocates this program's funding to industry groupings based on ATO taxation statistics, which are published in an ANZSIC format.

The Commission held discussions with ATO officers on the robustness of ATO claims data to estimate and allocate the R&D tax concession. There are three main potential areas of inaccuracy.

First, under the self-assessment taxation regime, there are potential inaccuracies in all taxation data due to misreporting, even though companies are regularly audited.

Second, the ATO data classifies companies according to where most of a company's income is derived. It is possible that some companies will belong to one industry grouping, but conduct R&D in another. According to the ATO, however, only a small proportion of companies would fit into this category.

Third, the ATO applies a 15 per cent across the board *imputation clawback* to its R&D claims data to estimate 'revenue forgone' for Treasury's Tax Expenditure Statement (TES). The reason is that, because a company pays less tax as a result of the concession, it receives less franking credits and pays more unfranked dividends. The resulting higher tax (at the shareholder level) partly offsets the lower tax paid by the company. In other words, a clawback is applied because not as much revenue is actually forgone as the raw ATO claim data would indicate. The 15 per cent rate is a standard allowance for imputation clawback made by the Revenue Analysis Branch of the ATO in costing all revenue estimates involving companies. The rate is an average figure and there may be some companies and industries for which it is higher, possibly specialist R&D companies, and many for which it is zero.

Treasury's TES uses the latest (unpublished) ATO claims data, which include details of amendments to tax returns and late tax returns. However, Treasury's estimate is reported as a single figure and not divided into industry groupings.

The Commission uses published ATO claims data and applies the 15 per cent clawback rate itself, and then adjusts this data to concord with the TES figure. For example, for 1998-99 the Commission calculated the R&D tax concession from published ATO claim data as \$383 million. This figure was scaled up across industry groupings to the updated \$490 million figure recorded in the TES. This approach assumes that the changes to ATO data are distributed proportionately across industry groups.

Table 3.1 Allocation of the R&D tax concession
\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00^a</i>	<i>2000-01^a</i>
Agriculture, forestry, fishing & hunting	5.9	6.7	7.0	7.4
Mining	52.2	96.4	61.9	65.5
Food, beverages & tobacco	15.2	22.5	18.0	19.1
TCF & leather	1.8	19.9	2.1	2.3
Wood & paper products	1.6	2.0	1.9	2.1
Printing, publishing & recorded media	1.9	1.0	2.2	2.3
Petroleum, coal, chemical etc	31.7	18.5	37.6	39.9
Non-metallic mineral products	10.6	9.3	12.5	13.3
Metal product manufacturing	41.1	51.6	48.7	51.6
Motor vehicles & parts	24.8	29.7	29.4	31.1
Other transport equipment	10.5	6.7	12.4	13.1
Other machinery & equipment	29.8	41.9	35.4	37.5
Other manufacturing	4.5	6.1	5.3	5.6
Electricity, gas & water	1.0	1.6	1.2	1.3
Construction	19.2	17.8	22.8	24.1
Wholesale trade	13.9	14.7	16.5	17.5
Retail trade	2.4	3.0	2.8	3.0
Transport & storage	4.4	14.1	5.2	5.5
Communication services	16.0	7.8	19.0	20.1
Finance & insurance	54.0	30.4	64.0	67.8
Property & business services	40.2	56.6	47.7	50.5
Government admin & defence	0.0	0.0	0.1	0.1
Education	2.1	0.0	2.5	2.7
Health & community services	2.1	3.4	2.5	2.7
Cultural & recreational services	1.2	0.6	1.5	1.5
Personal & other services	0.4	0.1	0.5	0.5
Other	41.4	27.7	49.1	52.0
Total	430.0	490.0	510.0	540.0

^a Projections based on Treasury (1999).

Sources: ATO (1999b); Treasury (1999); PC estimates.

3.2 CSIRO research

CSIRO's primary function is to undertake scientific research to assist Australian industry (CSIRO 2000). In many cases, CSIRO collaborates with industry partners and its research funding can be allocated among the industries involved.

CSIRO's own classification of its research effort is based on its total expenditure, which includes appropriation expenditure and expenditure from external sources of revenue such as industry funding. CSIRO does not attempt to distinguish between the two sources of funding below the aggregate level.

However, for the purposes of allocating budgetary assistance, the Commission needs to identify the budget appropriation portion of CSIRO's total expenditure at a disaggregated level.

In previous years, CSIRO has provided the Commission with its *planned* appropriation expenditure. The Commission has continued to use this data to determine budgetary assistance delivered through CSIRO.

To aid the allocation of this assistance at the more detailed industry grouping level, the Commission has supplemented this information with CSIRO's total expenditure data, which is broken down to a more detailed level (though not by ANZSIC).

The Commission concurs the information provided by CSIRO to its own industry grouping classification system (see table 3.2a). The CSIRO data is in 23 sectors, of which six are allocated to primary production and five are not allocated as they fall outside the Commission's definition of budgetary assistance.⁶ In two cases, the Commission has concurred a CSIRO sector between industry groupings based on additional expenditure information.⁷

⁶ Some CSIRO research may not benefit industry or may not benefit a particular industry grouping or groupings. Such research does not fall within the Commission's definition of assistance and hence is excluded from the estimates. For example, the Commission has excluded the funding allocated by CSIRO to its *Radio Astronomy* sector, which includes research into extragalactic phenomena. In 1999-2000, CSIRO received around \$468 million in appropriations, of which the Commission has identified \$381 million as budgetary assistance. That said, it should be noted that, with additional information, it may be possible to identify which *parts* of CSIRO research funding in particular sectors fall within the definition of assistance, rather than allocating whole sectors (one way or the other). For example, within the *Climate & Atmosphere* sector, certain research may initially and selectively benefit primary production. However, the Commission has been unable to obtain expenditure data on individual research projects, and has not included any of this sector's funding in its budgetary estimates.

⁷ (see footnote on page 16).

Table 3.2a Concordance between CSIRO sectors and industry groupings

<i>CSIRO sector</i>	<i>Industry grouping</i>	<i>CSIRO sector</i>	<i>Industry grouping</i>
Field Crops	Agriculture, forestry, fishing & hunting	Measurement standards	Not allocated
Food processing	Food, beverages & tobacco	Radio astronomy	Not allocated
Forestry, wood & paper	Agriculture, forestry, fishing & hunting/ Wood & paper products	Services	Unallocated services
Horticulture	Agriculture, forestry, fishing & hunting	Chemicals & plastics	Petroleum, coal, chemical & associated products
Meat, dairy & aquaculture	Agriculture, forestry, fishing & hunting	Integrated manufactured products ^a	Unallocated manufacturing
Wool & textiles	Agriculture, forestry, fishing & hunting / Textiles, clothing, footwear & leather	Pharmaceuticals & human health	Petroleum, coal, chemical & associated products
Biodiversity	Not allocated	Coal & energy	Mining
Climate & atmosphere	Not allocated	Mineral exploration & mining	Mining
Land & water	Not allocated	Mineral processing & metal production	Metal product manufacturing
Marine	Agriculture, forestry, fishing & hunting	Petroleum	Mining
IT & telecommunications	Communication services	Corporate support	Allocated across all sectors
Built environment	Construction		

^a A large part of this sector's funding, by project, concurs with the *other machinery & equipment* industry grouping. However some projects are targeted towards the *motor vehicles & parts* and *other transport equipment* industry groupings. Further, funding information on particular projects is not available. The Commission has therefore allocated this sector's funding to the *unallocated manufacturing* industry grouping.

Sources: CSIRO (2000); PC allocation.

⁷ CSIRO has developed a concordance for allocating R&D expenditure from within individual CSIRO sectors to a socioeconomic objective (SEO) classification system. This system is similar to ANZSIC. For the *forestry, wood & paper* sector and the *wool & textiles* sector, the Commission has used this information to split expenditure between *agriculture, forestry, fishing & hunting* and *wood & paper products* in the first case, and *agriculture, forestry, fishing & hunting* and *textiles, clothing, footwear & leather* in the second.

The Commission has used the above concordance to allocate the CSIRO appropriation. The resulting allocation (table 3.2b below) is, in part, a reflection of the level of the detail of CSIRO expenditure data provided to the Commission. It is possible that, with more detailed information, the allocation would be spread across a greater number of industry groupings.

Table 3.2b Allocation of CSIRO budget appropriation \$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Agriculture, forestry, fishing & hunting	127.9	133.0	140.7	114.3
Mining	45.3	46.8	47.3	52.7
Food, beverages & tobacco	17.2	17.8	18.4	19.9
TCF & leather	14.9	15.5	10.7	30.6
Wood & paper products	4.3	4.5	4.6	4.5
Petroleum, coal, chemical etc	37.7	39.0	40.4	40.8
Metal product manufacturing	25.4	27.3	28.0	28.3
Unallocated manufacturing	34.2	33.4	34.8	35.2
Construction	24.1	25.0	25.3	22.1
Communication services	21.6	21.3	21.3	20.9
Other	8.7	8.6	9.0	9.8
Total	361.2	372.3	380.5	379.2

^a Projection based on 1999-2000 data.

Sources: CSIRO (2000); unpublished CSIRO expenditure data; PC allocation.

3.3 PMV Export Facilitation Scheme

The PMV (passenger motor vehicle) Export Facilitation Scheme provides duty-free entitlements or 'export credits' to firms that export Australian vehicles or components. Credits are calculated on the basis of one dollar of credits for every dollar of local value added in eligible exports. The export credits enable firms to import eligible automotive products, up to a value equal to the export credits earned, duty free.

The Automotive Competitiveness and Investment Scheme will replace the PMV Export Facilitation Scheme in 2001. The PMV scheme is targeted to the *motor vehicles & parts* industry grouping.

Table 3.3 Allocation of the PMV Export Facilitation Scheme^a \$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Motor vehicles & parts	250.6	288.0	347.0	174.0

^a Projection based on 1999-2000 data.

Sources: ACS (2000); DISR (2000); PC allocation.

3.4 Development allowance

The development allowance is a tax deduction of 10 per cent of the value of eligible investment in plant and equipment, in addition to depreciation, relating to major projects. The objectives of the allowance are twofold:

- to bring forward the timing of large investment projects; and
- to encourage microeconomic reform in the operation of these projects.

To achieve this latter objective, the Development Allowance Authority (DAA) sets a 'competitiveness test' for applicants in relation to labour practices and the cost of significant inputs (DAA 1998).⁸

Table 3.4 **Allocation of the development allowance**
\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00^a</i>	<i>2000-01^a</i>
Agriculture, forestry, fishing & hunting	0.4	0.0	0.0	0.1
Mining	138.5	67.1	61.8	86.5
Food, beverages & tobacco	26.5	4.3	4.0	5.6
TCF & leather	0.2	0.1	0.0	0.1
Printing, publishing & recorded media	1.1	0.1	0.1	0.1
Petroleum, coal, chemical etc	2.1	9.8	9.0	12.6
Non-metallic mineral products	1.0	13.1	12.0	16.8
Metal product manufacturing	18.5	51.7	47.6	66.7
Motor vehicles & parts	2.6	0.0	0.0	23.2
Other transport equipment	0.0	18.0	16.6	0.0
Other machinery & equipment	1.5	0.5	0.0	0.7
Other manufacturing	0.1	1.5	0.5	2.0
Electricity, gas & water	14.1	1.5	1.4	1.9
Wholesale trade	0.2	0.0	0.0	0.0
Retail trade	0.3	0.1	0.1	0.2
Accommodation, cafes & restaurants	0.8	0.6	0.5	0.8
Transport & storage	32.7	0.0	0.0	0.1
Communication services	0.0	13.3	0.0	0.0
Finance & insurance	27.0	4.4	4.0	5.7
Property & business services	0.6	0.0	12.3	17.2
Government admin & defence	0.0	2.3	2.1	2.9
Education	0.0	0.6	0.5	0.7
Cultural & recreational services	0.0	0.1	0.0	0.0
Personal & other services	0.0	0.0	0.1	0.1
Other	2.6	0.8	0.7	1.1
Total	270.7	190.0	175.0	245.0

^a Projections based on Treasury (1999).

Sources: ATO (1999b); Treasury (1999); PC allocation.

The Commission has used the most up-to-date estimate of revenue forgone due to the development allowance, which is published in Treasury's TES. The estimate is reported as a single total figure. The Commission has then allocated the assistance among industry groupings according to the more detailed, but marginally dated, ATO claim data.⁹

3.5 R&D Start & related programs

The Industry Research and Development Board (IR&D Board) operates the R&D Start program. The program provides grants and loans to businesses, including grants to small and medium enterprises for R&D projects to produce goods or services with significant commercial and export potential. In addition, concessional loans are provided to small companies to undertake the early commercialisation of technological innovation in goods, systems or services.

Related programs included the Generic Technologies Grants scheme and the Discretionary Grants scheme (IR&D Board 2000). These were terminated in 1996, although some outstanding payments were made in subsequent years.

In 1999-2000, the IR&D Board approved around \$170 million in funding under these various schemes to over 200 companies. Around \$137 million of this funding supported the R&D Start program.

The IR&D Board provides the Commission with R&D Start grant details, allocated by the ANZSIC system. Information on related programs is contained in IR&D Board annual reports.

The R&D Start and related programs selectively target firms engaged in R&D and funding for these programs has been allocated based on IR&D Board information.

⁸ The DAA was established as a single person statutory authority in 1992. Between 1992 and 1997 the DAA administered the development allowance, and the Infrastructure Bonds and Infrastructure Borrowings Tax Offsets scheme. In December 1997 the DAA secretariat was transferred from Treasury to the ATO. Under the legislation, the Commissioner of Taxation constitutes the single person statutory authority, and hence the DAA.

⁹ The estimated revenue forgone figure from Treasury's TES differs from published ATO taxation statistics because of late and amended returns. Treasury are supplied with the most recent ATO taxation statistics to estimate revenue forgone.

Table 3.5 Allocation of the R&D Start & related programs

\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Agriculture, forestry, fishing & hunting	1.6	2.2	4.7	4.8
Mining	8.6	7.5	23.2	23.8
Food, beverages & tobacco	2.8	1.9	2.4	2.5
TCF & leather	0.2	0.4	0.2	0.3
Wood & paper products	0.3	0.2	0.1	0.2
Printing, publishing & recorded media	0.8	1.5	1.6	1.6
Petroleum, coal, chemical etc	5.9	7.7	12.1	12.4
Non-metallic mineral products	2.0	2.6	0.2	0.2
Metal product manufacturing	4.8	3.1	5.8	5.9
Motor vehicles & parts	1.4	1.1	0.3	0.3
Other transport equipment	1.3	2.6	3.8	3.9
Other machinery & equipment	23.2	40.4	36.7	37.6
Other manufacturing	7.0	10.9	11.4	11.7
Electricity, gas & water	0.8	1.3	1.4	1.5
Construction	1.7	0.5	0.4	0.4
Wholesale trade	0.0	0.6	1.8	1.8
Transport & storage	0.0	1.2	5.3	5.4
Communication services	7.4	10.4	12.3	12.6
Finance & insurance	0.8	0.2	0.1	0.1
Property & business services	6.2	13.7	22.2	22.8
Government admin & defence	0.1	0.3	0.1	0.1
Education	5.3	4.8	6.6	6.7
Health & community services	6.7	10.2	12.2	12.5
Cultural & recreational services	0.0	0.3	0.8	0.8
Personal & other services	2.0	2.2	2.3	2.4
Other	0.2	0.3	0.0	0.0
Total	91.2	129.2	170.5	175.1

^a Projection based on budget appropriations.

Sources: IR&D Board (2000); PC allocation.

3.6 Austrade export promotion

Austrade — also known as the Australian Trade Commission — is the Commonwealth's primary export facilitation agency (Austrade 2000). Austrade's budget appropriation primarily supports the operation of its trade commission network. This funding selectively benefits those industries that Austrade promotes internationally. A separate appropriation funds the operation of the Export Market Development Grants Scheme, administered by Austrade (section 3.7).

Austrade provides a range of export market intelligence and promotional services to potential and existing exporters. These services include export counselling and

export planning assistance, market research and in-market support, information and publishing services, trade displays, exporter education and sponsorships of the Australian Export Awards (Austrade 2000).

Austrade has provided the Commission with expenditure data to aid the allocation of this funding. The Commission has developed a concordance between Austrade's 11 sector segmentation of its operational plan and the Commission's own industry grouping classification (Table 3.6a).

Table 3.6a Concordance between Austrade's expenditure classification and the Commission's industry groupings

<i>Austrade sector</i>	<i>Industry grouping</i>	<i>Austrade sector</i>	<i>Industry grouping</i>
Agribusiness	Primary production	Mining	Mining
TCF	Textile, clothing, footwear & leather	Education	Education
Information, communication technology	Communication services	Defence	Government administration & defence
Biotech	Petroleum, coal, chemicals & associated products	Sport/Olympics	Cultural & recreational services
Automotive	Motor vehicles & parts	Other services	Unallocated services
Infrastructure	Construction		

Sources: Austrade unpublished expenditure classification; PC allocation.

Discussions with Austrade officials have generally confirmed the Commission's concordance of Austrade expenditure information to its own industry grouping classification system. One issue concerns the concordance of Austrade's Agribusiness sector to the *agriculture, forestry, fishing & hunting* industry group. Austrade has indicated that expenditure that may benefit the *food, beverages & tobacco* industry grouping will be reported as part of the Agribusiness sector. Austrade does not report expenditure data below this sector level. The Commission has allocated expenditure in the Agribusiness sector to *agriculture, forestry, fishing & hunting* because it is the dominant group of the two.

Using this concordance, the Commission has allocated Austrade's export promotion funding (table 3.6b).

Table 3.6b Allocation of Austrade export promotion

\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Agriculture, forestry, fishing & hunting	30.3	32.1	35.8	36.2
Mining	6.8	7.2	8.0	8.1
TCF & leather	0.9	1.0	1.1	1.1
Petroleum, coal, chemical etc	2.2	2.3	2.6	2.6
Motor vehicles & parts	4.4	4.6	5.2	5.2
Construction	20.5	21.7	24.3	24.5
Communication services	16.8	17.8	19.9	20.1
Government admin & defence	2.1	2.2	2.5	2.5
Education	7.5	8.0	8.9	9.0
Cultural & recreational services	15.8	16.7	18.7	18.9
Other	19.2	20.3	22.7	22.9
Total	126.4	134.0	149.6	151.0

^a Projection based on budget appropriations.

Sources: Austrade unpublished data; PC allocation.

3.7 Export Market Development Grants

The EMDG scheme provides taxable grants for up to 50 per cent of marketing and promotion expenses that firms incur in export markets. The scheme assists small and medium exporters to seek out and develop export markets. Around 3000 companies were assisted in the 1999-2000 grant year. Administration costs account for less than 5 per cent of the total program budget, which is capped at \$150m (Austrade 2000).

Austrade reports total payments made under the EMDG scheme in each financial year. This figure may include payments made for claims relevant to previous years, as eligible exporters may not make claims under the scheme immediately.

Austrade also provides the Commission with detailed grants data by the ANZSIC system that the Commission uses to allocate the funding among industry groupings (table 3.7). However, this information represents only grants paid against claims for a particular financial year up until the request for data is made. For example, in 1999-2000, \$143 million was paid under the EMDG scheme. However, at the time the Commission requested the more detailed grants data, only \$132 million had been paid to 1999-2000 claimants. The Commission uses the total payments figure and allocates the funding according to the more detailed data.

Table 3.7 Allocation of the Export Market Development Grants Scheme
\$ million

<i>Industry grouping</i>	1997-98	1998-99	1999-00	2000-01 ^a
Agriculture, forestry, fishing & hunting	4.0	4.1	4.8	4.8
Mining	1.5	1.8	2.1	2.1
Food, beverages & tobacco	7.0	8.2	9.1	9.1
TCF & leather	6.1	5.8	4.7	5.2
Wood & paper products	0.8	1.0	1.4	1.4
Printing, publishing & recorded media	3.3	3.1	3.2	3.2
Petroleum, coal, chemical etc	5.4	6.1	5.8	5.8
Non-metallic mineral products	1.6	1.3	1.1	1.1
Metal product manufacturing	3.6	3.7	4.0	4.0
Other machinery & equipment	18.6	17.9	18.5	18.5
Other manufacturing	4.6	4.4	5.9	5.9
Electricity, gas & water	0.2	0.4	0.1	0.1
Construction	1.5	1.5	1.8	1.8
Wholesale trade	15.0	15.1	13.5	13.5
Retail trade	3.6	3.6	3.1	3.1
Accommodation, cafes & restaurants	4.3	4.5	5.8	5.8
Transport & storage	17.6	18.1	16.5	16.5
Communication services	1.4	1.4	1.1	1.1
Finance & insurance	0.1	0.2	0.1	0.1
Property & business services	22.5	23.0	24.0	24.0
Education	10.6	10.7	8.9	8.9
Health & community services	0.6	0.6	0.7	0.7
Cultural & recreational services	6.3	6.6	7.0	7.0
Personal & other services	1.4	1.4	1.0	1.0
Total	141.6	144.5	144.5	144.5

^a Projection based on budget appropriations.

Sources: Austrade unpublished data; PC allocation.

3.8 Cooperative Research Centres

Cooperative Research Centres (CRCs) undertake long-term research, involving public sector organisations, companies and universities. CRCs aim to develop leading edge knowledge, capability and technologies in Australia (DIST 1998).

The CRC Secretariat reports summary information by six industry sectors. These are *manufacturing technology, information & communication technology, mining & energy, agriculture & rural based manufacturing, environment, and medical science & technology*. The Secretariat also reports grants data by individual CRCs.

The Commission has not developed a general concordance between these sectors and its industry grouping system because each CRC is unique and must be allocated

individually. For example, within the *environment* sector, individual CRCs have been allocated to both *agriculture, forestry, fishing & hunting* and *petroleum, coal, chemical & associated product manufacturing*. Further, most CRCs in this sector were not allocated, as they were not classified as assistance (see below).

In many cases, because of the industry focus of the CRC, an initial benefiting industry is identified. For example, Commonwealth funding for the Materials, Welding & Joining CRC has been allocated to the *metal product manufacturing* industry grouping. However, in some cases, as with the CSIRO, the program's research effort does not appear to benefit a particular industry or industries *selectively*. For example, the Southern Hemisphere Meteorology CRC has not been classified as budgetary assistance.

Table 3.8 Allocation of CRC funding
\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Agriculture, forestry, fishing & hunting	28.9	27.2	23.7	23.0
Mining	7.6	10.3	9.2	5.8
Food, beverages & tobacco	7.0	8.5	6.5	5.3
TCF & leather	2.0	2.7	2.5	0.0
Wood & paper products	1.7	1.5	0.3	0.0
Petroleum, coal, chemical etc	11.2	17.1	18.6	17.6
Metal product manufacturing	6.0	8.1	9.1	11.1
Other transport equipment	1.7	2.4	1.0	0.0
Other machinery & equipment	21.3	21.3	19.7	23.4
Electricity, gas & water	3.1	3.8	4.7	4.6
Communication services	2.2	2.2	2.2	3.0
Property & business services	7.0	3.5	2.6	3.6
Health & community services	12.3	12.3	12.9	12.8
Cultural & recreational services	5.1	2.3	2.3	2.3
Total	117.0	123.1	115.4	112.6

^a Projection based on budget appropriations.

Sources: Unpublished data provided by the CRC Secretariat; PC allocation.

3.9 Income tax averaging for primary producers

This measure allows primary producers to average their income over a five year cycle in order to minimise their tax liability. Primary producers pay tax on their taxable income at the rate of tax applicable to their average income, regardless of whether the average rate is greater or less than ordinary rates. This is a targeted concession which is allocated entirely to the *agriculture, forestry, fishing & hunting* industry grouping.

Table 3.9 Allocation of the income tax averaging scheme
\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99^a</i>	<i>1999-00^a</i>	<i>2000-01^a</i>
Agriculture, forestry, fishing & hunting	90.0	95.0	95.0	95.0

^a Treasury projections.

Sources: Treasury (1999); PC allocation.

3.10 Australian Tourist Commission

The Australian Tourist Commission (ATC) promotes Australia internationally as a tourist destination (ATC 2000).

The Commission has allocated the ATC appropriation between industry groupings based on tourist spending patterns, using the *International Visitor Survey, March quarter 2000*, published by the Bureau of Tourism Research (BTR).

The survey includes spending data on visitors travelling for holidays, business, employment and education purposes as well as for those visiting family and friends. The Commission has used only the spending data of visitors who identified *Holiday* as their ‘main purpose of journey’. The Commission expects that the purchasing habits of international tourists coming to Australia as a result of ATC promotion are similar to those of the ‘typical’ international tourist identified in the BTR survey.¹⁰

The survey includes several expenditure items and the Commission has concorded these with its industry grouping classification. Expenditure items such as food and petrol have been allocated to the *Retail trade* industry grouping since this is the industry that initially benefits from tourists buying goods. Expenditure items that do not initially benefit Australian industry, such as pre-paid international airfares, are excluded from the analysis.

Table 3.10 lists the allocation, which is confined to the services sector.

¹⁰ It is possible that other categories of visitors are also influenced directly or indirectly by ATC promotion. For example, visitors travelling to Australia for the purposes of education may have been influenced by ‘branding’ material that the ATC provide the education sector, through the Department of Employment, Education, Training & Youth Affairs, which is used to promote Australia’s education services overseas. However, the ATC material is unlikely to have been the primary motivating factor in foreign students’ locational decisions.

Table 3.10 Allocation of Australian Tourist Commission funding

\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Retail trade	18.1	20.7	20.8	21.2
Accommodation, cafes & restaurants	24.0	27.3	27.5	28.1
Transport & storage	29.8	34.0	34.2	34.9
Communication services	1.0	1.2	1.2	1.2
Education	0.9	1.0	1.0	1.1
Cultural & recreational services	3.5	4.0	4.0	4.1
Other services	1.0	1.1	1.2	1.2
Total	78.3	89.0	90.0	91.7

^a Projection based on budget appropriations.

Sources: Australian Tourist Commission (2000); BTR (2000).

3.11 Duty drawback

The duty drawback scheme provides refunds of duties and sales tax on goods that have been exported. Duty drawback is not payable on capital equipment, fuel, or chemicals, which are used in the process of producing goods for export. As such, agricultural and mining activities have limited opportunities to use the drawback provisions (ACS 2000).

In discussions, Australian Customs Service officers indicated that they are unable to collate the necessary data to allocate this scheme's funding within the manufacturing sector. Accordingly, the Commission has allocated the scheme to the *unallocated manufacturing* industry grouping.

Table 3.11 Allocation of the duty drawback

\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Unallocated manufacturing	79.0	95.0	87.0	50.0

^a Projection based on 1999-2000 data.

Sources: ACS (2000); PC allocation.

3.12 Infrastructure Bonds

The Infrastructure Bonds scheme was designed to encourage investment in transport and power generating projects. The scheme allowed private companies participating in such projects to obtain benefits in the form of cheaper loans from participating

financiers. The financiers were not required to pay tax on interest earned, and could pass this benefit on to borrowers in the form of lower interest rates. Under the scheme, the borrower surrendered tax deductibility on interest payments associated with the loans.

This tax expenditure has been allocated between *electricity, gas & water* and *transport & storage* using information from DAA annual reports and press releases detailing projects approved by the DAA. Examples of projects certified as at 30 June 1997 include the Collinsville Power Station and the Southwest Queensland Gas Pipeline (*electricity, gas & water*), as well as the M2 Motorway and the Melbourne City Link (*transport & storage*).

The Infrastructure Bonds scheme was terminated in February 1997 following evidence that it was being exploited for tax minimisation purposes (DAA 1998). The program was replaced by the Infrastructure Borrowings Tax Offset scheme, which targeted land transport facilities (see section 3.16). However, existing claims made under the Infrastructure Bonds scheme are still being honoured.

Table 3.12 **Allocation of the Infrastructure Bonds scheme**
\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99^a</i>	<i>1999-00^a</i>	<i>2000-01^a</i>
Electricity, gas & water	60.0	54.8	44.3	60.0
Transport & storage	55.0	50.2	40.7	31.3
Total	115.0	105.0	85.0	25.7

^a Treasury projections.

Sources: Treasury (1999); PC allocation.

3.13 TCF Imports Credits Scheme

The TCF (textiles, clothing & footwear) Import Credits Scheme facilitates TCF exports by providing credits to be used for reducing the duty payable on eligible TCF imports. The import credits earned depend on the Australian value added content of eligible TCF exports. A series of standard rates of value added have been set for various categories of exports (ACS 2000). Applications for the scheme closed in September 2000 and existing credits from this time can be used until December 2001.

The TCF scheme is targeted to assist the *textile, clothing, footwear & leather* industry grouping.

Table 3.13 Allocation of the TCF Import Credits Scheme

\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Textile, clothing, footwear & leather	121.1	106.0	83.0	107.0

^a Projection based on 1999-2000 data.

Sources: ACS (2000); PC allocation.

3.14 Factor f

The Factor f scheme aims to compensate the Australian pharmaceutical industry for the low drug prices under the Pharmaceutical Benefits Scheme (PBS). Under the Factor f scheme, approved companies receive notional price increases for PBS products through government payments, in return for their commitments to increase domestic value added, export value added and R&D activity (IC 1996). In 1997-98, reported Factor f activity from 10 pharmaceutical companies amounted to \$788 million of value added production and \$99 million of R&D expenditure.

The Factor f scheme provides targeted assistance to the pharmaceutical industry, which is classified as part of the *petroleum, coal, chemicals & associated products* industry grouping.

The scheme ended in 2000-01, and was replaced by the Pharmaceutical Industry Development program (section 3.28).

Table 3.14 Allocation of the Factor f scheme

\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01</i>
Petroleum, coal, chemical & associated products	174.0	159.0	79.0	-

- Nil.

Sources: Commonwealth budget papers.

3.15 Capital gains tax exemptions

The capital gains tax exemptions, which were announced in 1997, reduce tax liabilities on the sale of small businesses. For example, an exemption is claimable, up to a maximum of \$500 000, on the sale of a small business where the proceeds are 'rolled over' into another business (Treasury 1999).

The scheme began to affect government revenue in 1999-2000 when 1998-99 claims were processed (see table 3.15). The scheme is presently unallocated because detailed claim data are not yet available.

Table 3.15 Allocation of the CGT rollover scheme
\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00^a</i>	<i>2000-01^a</i>
Unallocated other	-	-	75.0	75.0

- Nil. ^a Treasury projections.

Source: Treasury (1999).

3.16 Infrastructure Borrowings Tax Offsets

The Infrastructure Borrowings Tax Offset Scheme is a successor program to the Infrastructure Bonds scheme (discussed in section 3.12). The new program is more narrowly targeted to land transport, which falls within the *transport & storage* industry grouping.

To facilitate a smooth transition between schemes, however, a number of applications for the previous scheme have been carried over and approved under the new scheme. The Commission has therefore allocated some of the benefit of the new scheme to the *electricity, gas & water* industry grouping, based on the same allocation used for the Infrastructure Bonds scheme.

The Revenue Analysis Branch of the ATO has estimated that the flow-through benefit to borrowers under the new scheme is around 75 per cent, with the other 25 per cent of benefit captured by financiers. Hence, before allocating the tax expenditure between the *electricity, gas & water* industry grouping and the *transport & storage* industry grouping, the Commission has first allocated 25 per cent to *finance & insurance*.

As new land transport projects are approved over time, the proportion of benefit going to the *electricity, gas & water* industry grouping will fall to zero. However, the Commission has been unable to ascertain the speed of this process. That said, the infrastructure projects that benefit from this scheme generally take a number of years to complete. The Commission has therefore continued with its present allocation, based on the Infrastructure Bonds scheme, for 2000-01, but will review available information before updating the allocation in 2001.

Table 3.16 Allocation of the Infrastructure Borrowings Tax Offsets

\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99^a</i>	<i>1999-00^a</i>	<i>2000-01^a</i>
Electricity, gas & water	3.3	25.0	25.0	25.0
Transport & storage	4.2	31.25	31.25	31.25
Finance & insurance	2.5	18.75	18.75	18.75
Total	10.0	75.0	75.0	75.0

^a Treasury projections.

Sources: Treasury (1999); ATO (1999); PC allocation.

3.17 Tasmanian Freight Equalisation Scheme

The Tasmanian Freight Equalisation Scheme assists in alleviating the comparative interstate freight cost disadvantage incurred in transporting goods to and from Tasmania by sea.¹¹ The scheme applies to non-bulk goods produced in Tasmania for use on the mainland and raw material and equipment inputs (of mainland origin) into Tasmania's industries. The scheme selectively benefits firms located in Tasmania.

Tasmanian Assistance Services (part of Centrelink in Tasmania) administers the scheme and has provided the Commission with an allocation by the ANZSIC system. Whilst the TAS database is able to identify outbound manufactured goods, it does not distinguish inbound raw materials by industry grouping. The result is that outbound goods are identified and inbound goods have been allocated to the *unallocated manufacturing* industry grouping (table 3.17).

Table 3.17 Allocation of the Tasmanian Freight Equalisation scheme

\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Agriculture, forestry, fishing & hunting	1.5	3.0	4.0	4.1
Food, beverages & tobacco	5.4	1.0	7.9	8.0
Textile, clothing, footwear & leather	0.5	0.4	0.5	0.5
Wood & paper product manufacturing	11.5	10.3	17.7	17.7
Other manufacturing	2.5	5.3	1.7	1.7
Unallocated manufacturing	20.4	21.0	28.2	28.6
Total	41.8	41.0	60.0	60.6

^a Projection based on latest year's data.

Sources: Tasmanian Assistance Services unpublished data; PC allocation.

¹¹ In the event of industrial unrest which prevents sea transportation, the scheme is available for airfreight.

3.18 TEXCO and TRADEX

The Tariff Export Concession (TEXCO) scheme allows for duty-free entry of goods intended for export after being processed, treated or incorporated into goods manufactured in Australia. The concession is specifically aimed at industrially-processed or manufactured exports. The ABS publishes revenue forgone estimates based on Customs data. The Commission uses these estimates, supplied in ANZSIC form, to allocate the scheme to industry groupings (table 3.18).

The termination date for applications under the TEXCO scheme was 14 July 2000.

Projections for 2000-01 are for claims made under TRADEX, which is the successor scheme to TEXCO. TRADEX also partially replaces the Duty Drawback scheme (see section 3.11). TRADEX provides exporters with an up-front exemption from customs duties and goods and services tax (except excise) on imported goods that are processed or warehoused prior to export.

The Commission has used the 1999-2000 TEXCO allocation to apportion planned Commonwealth funding for TRADEX in 2000-01.

Table 3.18 **Allocation of the TEXCO and TRADEX schemes**
\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00^a</i>	<i>2000-01^a</i>
TCF & leather	12.3	8.8	9.0	15.4
Wood & paper products	2.6	1.8	1.9	3.2
Printing, publishing & recorded media	0.1	0.1	0.1	0.1
Petroleum, coal, chemical etc	2.5	1.8	1.8	3.1
Non-metallic mineral products	1.1	0.8	0.8	1.4
Metal product manufacturing	6.3	4.5	4.6	7.9
Other machinery & equipment	42.2	30.0	30.7	52.9
Other manufacturing	12.5	8.9	9.1	15.7
Total	79.8	56.7	58.0	100.0

^a 2000-01 projections are for the TRADEX scheme and are based on 1998-99 TEXCO data.

Sources: ABS (1999); ACS (2000); PC allocation.

3.19 Australian Film Finance Corporation and Film Australia

The Australian Film Finance Corporation Limited (AFFC) is the Commonwealth's principal agency for providing finance to the Australian film and television production industry. Support to the industry is provided partly through government grants to the AFFC, which then subsidises the financing of Australian films and

invests in a diverse range of projects including television drama and documentaries (AFFC 2000). In addition to direct investment, the AFFC may provide production loans and print and advertising loans to facilitate the theatrical release of feature films.

Film Australia assists the production of films and documentaries that form a visual history of Australia or are considered to be of 'national significance'. Its main role is to contribute to the development of the documentary production sector.

In the ANZSIC system, film production is a part of the *cultural & recreational services* industry grouping.

Table 3.19 Allocation of AFFC and Film Australia funding
\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Cultural & recreational services	48.0	48.0	48.0	48.0

^a Projection based on budget appropriations.

Sources: Commonwealth budget papers.

3.20 Strategic Investment Incentive Program

The Commonwealth's Strategic Investment Incentive Program (SIIP) is designed to attract direct investment to Australia by providing assistance to selected projects. Under the SIIP, the Office of the Strategic Investment Coordinator (OSIC) assesses applications for investment incentives on a case-by-case basis and advises the Cabinet on the merits of investment proposals. The Cabinet then makes a determination on the project, and the level and form of assistance to be provided.

To date, two companies in the manufacturing sector have been awarded assistance under the SIIP.

- In December 1998, the Commonwealth announced a \$40 million package for Visy Industries to establish an unbleached mini pulp and paper mill in Tumut, New South Wales (Minchin 1998). The funding will be delivered over several years.¹²

¹² The \$40 million incentive for the Tumut paper mill was provided through a combination of existing programs' funds and new funding allocations. Of the total incentive package, \$25 million came from the Infrastructure Borrowing Tax Offsets Scheme (section 3.16), the Roads of National Importance program, and the Regional Assistance Program (section 3.21). The additional investment incentive of \$15 million provided under the SIIP comprises five annual allocations of \$3 million commencing on 1999-2000.

- In February 2000, the Commonwealth announced a \$70 million package for the US-based Syntroleum Corporation for access to, and development of, gas-to-liquid (GTL) technology in Australia. The package consists of a \$30 million licence agreement and a \$40 million interest-free loan with 25 years maturity. Under the licence agreement, the Commonwealth will pay a \$30 million fee for the rights to use Syntroleum's GTL technology (Minchin 2000). Syntroleum Corporation will manufacture synthetic specialty chemicals.

The funding for Visy Industries will selectively assist the pulp and paper production and, thus, has been allocated to the *wood & paper products* industry grouping; while the funding for Syntroleum will selectively benefit the petroleum and gas refining industries and, thus, has been allocated to the *petroleum, coal, chemical & associated product manufacturing* industry grouping.

Table 3.20 **Allocation of the Strategic Investment Incentive Program**
\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Wood & paper products	-	-	3.0	3.0
Petroleum, coal, chemical & associated products	-	-	42.0	8.0
Total	-	-	45.0	11.0

- Nil. ^a Projection based on budget appropriations.

Sources: Commonwealth budget papers; PC allocation.

3.21 Regional Assistance Program

The Regional Assistance Program (RAP) funds business projects with the aim of generating employment in metropolitan, regional and rural areas. A component of the program – the National Initiatives and Emergencies component – provides assistance to firms on a case-by-case basis. The Department of Employment, Workplace Relations & Small Business (DEWRSB) oversees the RAP and maintains a record of successful applicants and funding.

The classification system used by DEWRSB is not based on ANZSIC. Rather, it includes sectors such as *small business, tourism, and business retention*.¹³ As a result, the program has been allocated to the *unallocated other* industry grouping.

¹³ Several hundred projects are approved each year under the RAP. While information on these projects is publicly available, the Commission has sought summary information from DEWRSB in order to develop a concordance.

Table 3.21 **Allocation of the Regional Assistance Program**

\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Unallocated other	15.0	20.0	42.0	54.0

^a Projection based on budget appropriations.

Sources: Commonwealth budget papers; PC allocation.

3.22 Building IT Strengths (BITS)

In June 1999, the Government committed \$158 million over four years to the information technology industry through the BITS program. The BITS program comprises three components.

- \$78 million in funding to provide development assistance to small and medium-sized enterprises;
- \$40 million to fund the capital cost of establishing advanced network test beds involving technologies such as optical networks, digital transmission and international broad band links; and
- \$40 million of funding will also be directed to the IT industry in Tasmania as a development of the 'Intelligent Island' (Alston 1999).

While the BITS program provides assistance selectively to information technology firms, allocating the program's funding to a particular industry grouping is not straightforward.

The Commission held discussions with the ABS on how to concord the 'IT' industry to the ANZSIC system. Different types of information technology services may be classified as 'computer consultancy services' and 'information storage & retrieval services', which are both classes within the *Property & business services* industry grouping in the ANZSIC system. Information technology services may also fall under 'telecommunications services', which is a class within the *Communication services* industry grouping in the ANZSIC system (see table 1.1).

Discussions with officers from the Department of Communications, Information Technology and the Arts indicate that the thrust of the scheme is the development of network and communications technologies. Funding for these projects would fall within the *communication services* industry grouping. However, it is not exactly clear from the mainly qualitative information available to the Commission how to apportion funding between *communication services* and *property & business services*. One reason for this is that the scheme is relatively new and more

information will probably be available in the future. As a result, the Commission has allocated this funding to the *unallocated services* industry grouping.

Table 3.22 Allocation of BITS funding
\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Unallocated services	-	-	41.9	42.0

- Nil. ^a PC estimates.

Sources: Commonwealth budget papers; PC allocation.

3.23 Innovation Investment Fund

The Commonwealth Government established the Innovation Investment Fund (IIF) in 1998. The Government signed five initial licence agreements with private sector venture capital fund managers. Commonwealth funding is matched on a maximum two-to-one basis with private capital. The program is designed to improve the commercialisation of Australia's R&D base.

The IIF has been allocated to industry groupings based on information and data reported in the 1999-2000 annual reports of the IR&D Board and the Department of Industry Science and Resources. The Commission has established a concordance between this information and its industry grouping classification system (table 3.23a).

Table 3.23a IIF sector concordance with industry groupings

<i>IIF sector</i>	<i>Industry grouping</i>
Petroleum & chemical manufacturing	Petroleum, coal, chemical & associated products
Machinery & equipment manufacturing	Other machinery & equipment
Trade, accommodation & transport	Unallocated other
Communications, finance & insurance ^a	Communications / Finance & insurance
Property, business & computing services	Property & business services

^a The Commission uses management fees data reported in the *IR&D Board annual report (2000)* to split funding for this sector.

Sources: IR&D Board (2000); PC allocation.

Participating fund management firms also benefit from this scheme. For example, in 1999-2000, \$4.6 million in management fees was paid to fund managers out of the \$39.9 million in total funding. These fees have been allocated to the *finance & insurance* industry grouping.

Table 3.23b Allocation of the Innovation Investment Fund

\$ million

<i>Industry grouping</i>	<i>1997-98^a</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^b</i>
Petroleum, coal, chemical etc	0.0	4.5	7.6	6.0
Other machinery & equipment	0.0	0.8	1.6	1.3
Communication services	0.0	11.9	19.8	17.1
Finance & insurance	0.0	4.7	4.6	2.2
Property & business services	0.0	0.6	1.3	1.0
Unallocated other	4.0	2.5	5.0	3.9
Total	4.0	25.0	39.9	31.5

^a The Commission has not allocated 1997-98 funding due to insufficient data; b Projection based on latest year's data.

Sources: IR&D Board (1999); Commonwealth budget papers; PC allocation.

3.24 National Landcare Program

The National Landcare Program (NLP) supports landcare at the community, catchment and regional level by assisting activities such as developing and implementing natural resource management plans.

In its budgetary assistance estimates, the Commission reports funding only for projects undertaken jointly by the Commonwealth and State governments. The benefits of these projects flow largely to primary producers as they are assisted in better managing their resources. The Commission excludes some NLP funding, targeted at the community level and with exclusively environmental aims, on the basis that this funding does not selectively benefit primary producers.

As the Commonwealth/State assistance component of the NLP assists primary producers, it has been allocated to the *agriculture, forestry, fishing & hunting* industry grouping.

Table 3.24 Allocation of the National Landcare Program

\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Agriculture, forestry, fishing & hunting	54.0	56.0	36.6	36.9

^a Projection based on budget appropriation.

Sources: Commonwealth budget papers; PC allocation.

3.25 Concessional rate of tax on eligible income from an offshore banking unit (OBU)

The concessional rate of tax on eligible income derived by foreign companies operating in Australia (that is, from an OBU) commenced in July 1992. The Government introduced legislation following the 1997 *Investing For Growth* statement which extended the OBU concessions to fund managers and life insurance companies in order to facilitate greater non-bank competition for offshore business (Commonwealth of Australia 1997).

The Commission identifies this tax expenditure as assistance because the concessional rate of tax is available only to foreign companies operating in Australia.

The scheme has been allocated to the *finance & insurance* industry grouping based on ATO taxation statistics.

Table 3.25 **Allocation of the OBU income tax concession**
\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99^a</i>	<i>1999-00^a</i>	<i>2000-01^a</i>
Finance & insurance	17.0	30.0	35.0	35.0

^a Treasury projections.

Sources: Treasury (1999); PC allocation.

3.26 Farm Management Deposits scheme

This scheme allows primary producers to make deposits when surplus funds are available and to withdraw holdings in less successful years. The fully taxable deposits are subject to a withholding tax when withdrawn, but the withholding tax can be varied in times of financial hardship that may be a result of climatic events or market downturn.

This scheme replaced the Income Equalisation Deposits scheme in 1999-2000 (see section 3.52). The two schemes ran concurrently in 1999-2000.

The scheme assists eligible primary producers and has been allocated to the *agriculture, forestry, fishing & hunting* industry grouping.

Table 3.26 Allocation of the Farm Management Deposits scheme

\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99^a</i>	<i>1999-00^a</i>	<i>2000-01^a</i>
Agriculture, forestry, fishing & hunting	26.0	24.0	35.0	40.0

^a Treasury projections.

Sources: Treasury (1999); PC allocation.

3.27 Farm Family Restart Scheme

The Farm Family Restart Scheme (FFRS) 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 the 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 its asset test, farmers can have up to \$90 000 in assets before losing eligibility for the maximum grant.

These programs selectively assist farmers and have been allocated to the *agriculture, forestry, fishing & hunting* industry grouping.

Table 3.27 Allocation of the Farm Family Restart program

\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Agriculture, forestry, fishing & hunting	21.8	34.0	34.6	39.3

^a Projection based on budget appropriations.

Sources: Commonwealth budget papers; PC allocation.

3.28 Pharmaceutical Industry Development Program

The Pharmaceutical Industry Development Program replaced the Factor f Scheme in 1999-2000. Both schemes aim to compensate Australian pharmaceutical manufacturers for the low drug prices under the Pharmaceutical Benefits Scheme (see section 3.14).

The program is targeted to the pharmaceutical industry, and thus is allocated to the *petroleum, coal, chemical & associated product manufacturing* industry grouping.

Table 3.28 Allocation of the Pharmaceutical Industry Development Program
\$ million

<i>Industry grouping</i>	1997-98	1998-99	1999-00	2000-01 ^a
Petroleum, coal, chemical & associated products	-	-	34.0	55.1

- Nil. ^a Projection based on budget appropriations.

Sources: Commonwealth budget papers; PC allocation.

3.29 Grains Research & Development Corporation

The Grains Research and Development Corporation (GRDC) is a Commonwealth statutory authority. The GRDC's objective is to combine the funding resources of individual grain producers in order to encourage investment in grain industry research. A levy is applied to most grains (around 1 per cent of farm gate value), and the Commonwealth matches the research funds raised. In 1999-2000, for example, the GRDC spent around \$64 million, of which the Commonwealth contributed \$32 million (GRDC 2000).

The Commonwealth contribution is targeted assistance for the grains industry, and thus is allocated to the *agriculture, forestry, fishing & hunting* industry grouping.

Table 3.29 Allocation of GRDC funding
\$ million

<i>Industry grouping</i>	1997-98	1998-99	1999-00	2000-01 ^a
Agriculture, forestry, fishing & hunting	33.8	33.6	32.7	31.8

^a Projection based on budget appropriations.

Sources: Commonwealth budget papers; PC allocation.

3.30 Other Rural Research

In the Commonwealth budget, funding for 'Other Rural Research' denotes the research funding for several smaller rural R&D corporations including the Dairy Research & Development Corporation and the Dried Fruits Research & Development Council. Other R&D corporations administer funding for the eggs,

cotton, honey, sugar and tobacco industries. The R&D corporations receive matching appropriations against industry levies.

The Commonwealth funding for R&D benefits these primary production industries and has been allocated to the *agriculture, forestry, fishing & hunting* industry grouping.

Table 3.30 Allocation of Other Rural Research funding
\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Agriculture, forestry, fishing & hunting	32.5	36.2	31.7	38.3

^a Projection based on budget appropriations.

Sources: Commonwealth budget papers; PC allocation.

3.31 Rural Adjustment Scheme

The Rural Adjustment Scheme is intended to facilitate farm productivity improvements, adjustment, and training and skills enhancement. It also enables special arrangements for assistance in exceptional circumstances (such as severe drought), where interest subsidies of up to 100 per cent may be made available, and provides for re-establishment grants to non-viable farmers to assist them in adjusting out of the industry (AFFA 1999).

Around half of the scheme's funding supports the exceptional circumstances interest subsidy provision of the RAS. Normal interest subsidies account for around one quarter of the scheme's funding.

The qualifying criteria for the RAS target the assistance to the *agriculture, forestry, fishing & hunting* industry grouping.

Table 3.31 Allocation of the Rural Adjustment scheme
\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Agriculture, forestry, fishing & hunting	81.9	43.0	29.1	16.5

^a Projection based on budget appropriations.

Sources: Commonwealth budget papers; PC allocation.

3.32 Land and Water Resources R&D Corporation

The Land and Water Resources Research and Development Corporation (LWRRDC) aims 'to foster the productive and sustainable management of land, water and vegetation resources', specifically of the irrigation, dryland cropping and grazing industries. At least 80 per cent of the LWRRDC budget is committed to programs and projects that have joint funding and close involvement from industry partners (LWRRDC 2000).

Unlike most other Commonwealth-funded R&D corporations, the LWRRDC receives the majority of its funding through appropriation. The corporation's funding has been allocated to the *agriculture, forestry, fishing & hunting* industry grouping.

Table 3.32 **Allocation of LWRRDC funding**
\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Agriculture, forestry, fishing & hunting	10.8	11.0	21.7	18.8

^a Projection based on budget appropriations.

Sources: Commonwealth budget papers; PC allocation.

3.33 Meat & Livestock Australia

Meat & Livestock Australia (MLA) is a public corporation which formed in 1998 as a result of the wind-up of three statutory bodies including the Meat Research Corporation (MRC). MLA is jointly funded through Commonwealth appropriations and industry levies.

MLA undertakes R&D and marketing for the benefit of primary producers, food processors and retailers. R&D expenditure is focused primarily at the primary production stage. Marketing expenditure is targeted towards the retail stage and is designed to create confidence in beef and sheepmeat and to lift household consumption (MLA 2000). MLA has provided the Commission with details of R&D and marketing expenditure, which in recent years have been roughly equal.

A discussion with officers of MLA has confirmed that government funding wholly supports R&D expenditure whereas industry levies support marketing as well as additional R&D expenditure. Further, R&D expenditure is directed almost entirely towards the primary production stage, although MLA officers acknowledge that food processors benefit, to an extent, from this R&D.

The Commission has allocated this funding to the *agriculture, forestry, fishing & hunting* industry grouping.

Table 3.33 Allocation of Meat & Livestock Australia's funding

\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Agriculture, forestry, fishing & hunting	22.8	21.0	21.0	20.5

^a Projection based on budget appropriations.

Sources: Commonwealth budget papers; PC allocation.

3.34 Deduction for conserving or conveying water and for conservation measures

Capital expenditures on facilities for conserving or conveying water may be claimed as a tax deduction or a rebate (under Subdivision 387-B and 388-A of the *Income Tax Assessment Act 1997*) over three years if incurred as part of carrying on a business of primary production. The deduction or rebate can be claimed for such things as dams, tanks, bores, wells and irrigation channels.

The concession is targeted to primary producers and has been allocated to the *agriculture, forestry, fishing & hunting* industry grouping.

Table 3.34 Allocation of the water tax deduction

\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Agriculture, forestry, fishing & hunting	25.0	20.0	20.0	20.0

^a Projection based on latest year's data.

Sources: Treasury (1999); PC allocation.

3.35 Film industry 100 per cent capital deduction

This scheme allows for an immediate tax deduction for capital expenditure incurred in acquiring an interest in the initial copyright of a new Australian film.

The tax deduction is targeted to film production and the assistance is allocated to the *cultural & recreational services* industry grouping.

Table 3.35 Allocation of the film industry 100 per cent capital deduction
\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Cultural & recreational services	20.0	25.0	20.0	20.0

^a Projection based on latest year's data.

Sources: Treasury (1999); PC allocation.

3.36 Technology Diffusion

The Technology Diffusion Program, which superceded Technology Support Centres in 1997-98, assists small and medium sized enterprises (SMEs) with technical advice, access to research and development facilities, and skills training to improve their international competitiveness.

The funding contributes to the building of a national network of technology centres and to the promotion of international best practice in the adoption and management of technology. For example, a grant to the Timber Promotion Council enabled 40 SMEs in regional Victoria to access and implement new hardwood kiln-drying technologies.

Discussions with officers from AusIndustry indicate that the scheme is targeted towards advanced manufacturing. However, detailed information on the allocation of funds within manufacturing, by the ANZSIC system, is unavailable. Hence, the Commission has classified the scheme's funding as *unallocated manufacturing*.

Table 3.36 Allocation of the Technology Diffusion program
\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Unallocated manufacturing	14.0	14.9	18.6	20.5

^a Projection based on budget appropriations.

Sources: Commonwealth budget papers; PC allocation.

3.37 Horticulture Australia

Horticulture Australia comprises two groups — Horticulture Australia Ltd and the Horticulture Australia Council. Horticulture Australia Ltd focuses on marketing and R&D service delivery to improve the national and international competitiveness of horticultural producers. The Horticulture Australia Council deals with issues such as

food safety and supply chains, and resource issues such as improved systems of water use. These two bodies replaced the Horticultural R&D Corporation and the Australian Horticultural Corporation.

The funding for these corporations selectively benefits horticulturalists and has been allocated to the *agriculture, forestry, fishing & hunting* industry grouping.

Table 3.37 Allocation of Horticulture Australia funding
\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Agriculture, forestry, fishing & hunting	11.4	15.3	17.1	17.6

^a Projection based on budget appropriations.

Sources: Commonwealth budget papers; PC allocation.

3.38 National Interest Account

The Export Finance and Insurance Corporation (EFIC) is a Commonwealth statutory authority which provides credit and finance services to exporters. EFIC's credit insurance facilities provide short-term cover for exporters for non-payment by overseas buyers. The export finance facilities include loans and loan guarantees for buyers of Australian exports. These services are provided through:

- the Commercial Account, in which the Government guarantees all EFIC short-term and medium/long-term businesses. However, EFIC has been self-funded and built up its own reserves, and has not called on this guarantee¹⁴; and
- the National Interest Account, in which the Government directs EFIC to undertake transactions which the Government considers to be in the 'national interest'. In these cases, the Government directly bears the costs if export payments are in default. Examples of support provided under this account occurred in response to the Asian financial crisis, when EFIC provided a guarantee to Australian exporters to South Korea and Indonesia (see PC 1998).

Discussions with EFIC indicate that the National Interest Account is used almost exclusively by commodity exporters. The funding is allocated to the agriculture, forestry, fishing & hunting industry grouping and represents payments made by the Commonwealth to Australian exporters when overseas buyers default on payment.

¹⁴ No on-going Commonwealth funding is provided for this part of the EFIC operation. While EFIC probably derives some value from the guarantee, no budgetary assistance has been recorded.

Table 3.38 Allocation of the National Interest Account
\$ million

<i>Industry grouping</i>	1997-98	1998-99	1999-00	2000-01 ^a
Agriculture, forestry, fishing & hunting	18.2	16.5	16.6	15.5

^a Projection based on latest year's data.

Sources: Commonwealth budget papers; PC allocation.

3.39 Australian Film Commission

The Australian Film Commission (AFC) assists film production through grants, pre-production assistance, and the national and international promotion of films. In recent years, the AFC has supported interactive media development, production and exhibition. Further, the AFC supports the development of indigenous film and television program makers (AFC 2000).

The AFC exclusively benefits the Australian film industry and its funding has been allocated to the *cultural & recreational services* industry grouping.

Table 3.39 Allocation of the Australian Film Commission funding
\$ million

<i>Industry grouping</i>	1997-98	1998-99	1999-00	2000-01 ^a
Cultural & recreational services	29.7	15.6	16.5	16.6

^a Projection based on latest year's data.

Sources: Commonwealth budget papers; PC allocation.

3.40 Exotic Disease Preparedness Program

The Exotic Disease Preparedness Program aims to enhance Australia's preparedness for, and responsiveness to, incursions of exotic pests and diseases of animals. The Australian Animal Health Council (AAHC) administers the program.

The program selectively benefits primary production and the program has been allocated the *agriculture, forestry, fishing & hunting* industry grouping.

Table 3.40 Allocation of the Exotic Disease Preparedness Program

\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Agriculture, forestry, fishing & hunting	2.3	5.0	15.9	1.1

^a Projection based on latest year's data.

Sources: Commonwealth budget papers; PC allocation.

3.41 Fisheries Research and Development Corporation

The Fisheries Research and Development Corporation (FRDC) funds programs in the areas of resources sustainability, ecosystems protection, and industry development.

The FRDC receives Commonwealth funding equivalent to 0.5 per cent of industry gross value of production (GVP) plus the dollar-for-dollar matching of levy funding up to 0.25 per cent of GVP (Minchin 1999). Most other Commonwealth-funded R&D corporations receive funding equivalent to industry contributions.

Funding for the FRDC selectively benefits the fishing industry and has been allocated to the *agriculture, forestry, fishing & hunting* industry grouping.

Table 3.41 Allocation of the FRDC funding

\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Agriculture, forestry, fishing & hunting	10.8	12.3	15.5	17.6

^a Projection based on latest year's data.

Sources: Commonwealth budget papers; PC allocation.

3.42 Invest Australia

Invest Australia undertakes investment promotion activities and provides secretariat support to the Strategic Investment Coordinator. The Office of the Strategic Investment Coordinator (OSIC) was established in 1998 to assess and advise the Government on the merits of providing investment incentives for selected projects.

Some information is publicly available on projects whose funding has been approved under the Invest Australia scheme. However, there is insufficient information available to allocate the Invest Australia appropriation. The

Commission has sought more detailed information on approved projects from Invest Australia to allocate this funding in the future.

Presently, the scheme's funding has been assigned to the *unallocated other* industry grouping.

Table 3.42 Allocation of Invest Australia funding

\$ million

<i>Industry grouping</i>	1997-98	1998-99	1999-00	2000-01 ^a
Unallocated other	-	15.0	15.0	14.2

- Nil. ^a Projection based on budget appropriation.

Sources: Commonwealth budget papers; PC allocation.

3.43 Shipbuilding bounty

The shipbuilding bounty provides a 3 per cent rebate for 'eligible costs' incurred in the construction or modification of a vessel in Australia. The bounty is not payable on vessels constructed by or for the Commonwealth or for vessels exported to New Zealand.

The bounty will be phased out from 31 December 2000, although the industry will continue to receive assistance through the Shipbuilding Innovation Scheme, which commenced operation on 1 July 1999 (see section 3.58). Continuation of the bounty is linked to progress in achieving international shipbuilding reform.

The shipbuilding bounty is targeted to the shipbuilding industry and has been allocated to the *other transport equipment* industry grouping.

Table 3.43 Allocation of the shipbuilding bounty

\$ million

<i>Industry grouping</i>	1997-98	1998-99	1999-00	2000-01 ^a
Other transport equipment	19.1	24.0	14.7	11.9

^a Projection based on latest year's data.

Sources: Commonwealth budget papers; PC allocation.

3.44 Assistance to Howe Leather

Howe Leather is an Australian manufacturer and exporter of leather products. In 1997, the Commonwealth introduced an assistance package for Howe Leather

comprising a \$30 million grant and a \$5 million loan. The grant was conditional upon sales and capital expenditure targets.

Following a request by the United States in 1998, a WTO Panel found that the grant payments were subsidies ‘contingent in fact’ on export performance.¹⁵ Howe Leather was required to repay \$8 million to the Commonwealth and the grant contract has been terminated, although the Government has also agreed to provide an additional loan of around \$14 million to Howe Leather (Vaile and Minchin 1999).

The funding is targeted to a single company in the leather industry and, thus, has been allocated to the *textile, clothing, footwear & leather* industry grouping.

Table 3.44 Allocation of Howe Leather funding
\$ million

<i>Industry grouping</i>	1997-98	1998-99	1999-00	2000-01 ^a
Textile, clothing, footwear & leather	12.5	13.0	13.7	-

^a - Nil, funding ceased in 1999-00.

Sources: Commonwealth budget papers; PC allocation.

3.45 Pigmeat industry programs

In recent years a number of budgetary assistance measures have targeted the pigmeat industry.

- In December 1997, the Government announced the National Pork Industry Development Program (NPIDP) with funding of \$10 million to improve the competitiveness of the pork industry. This program supports both primary producers of pork and the pigmeat processing industry to seek new export markets.
- In June 1998, the Government announced additional funding of \$8 million for the new Pork Processing Grants Program (PPGP). These programs aim to assist slaughter-works and processors of pork to meet import competition and develop new export opportunities (Anderson and Fisher 1998).
- In 1999-2000, \$6 million was provided to the Pork Producer Exit Program to assist the most severely affected primary producers exit the pork industry.

¹⁵ Australia is a signatory to the WTO Agreement on Subsidies and Countervailing Measures (1995) which prohibits export subsidies for products other than agricultural commodities. The prohibition of export subsidies applies to those subsidies considered to be contingent ‘in law or in fact’ upon export performance.

In relation to funding for the NPIDP, the Commission has been unable to apportion the benefit between primary producers and processors and, hence, funding has been allocated to the *unallocated other* industry grouping. The PPGP targets the processing industry and has been allocated to the *food, beverages & tobacco* industry grouping. The PPEP targets non-viable primary producers and has been allocated to the *agriculture, forestry, fishing & hunting* industry grouping.

Table 3.45 Allocation of the pigmeat industry programs
\$ million

<i>Industry grouping</i>	1997-98	1998-99	1999-00	2000-01 ^a
Agriculture, forestry, fishing & hunting	0.5	1.7	4.3	1.3
Food, beverages & tobacco	0.6	2.3	5.4	1.6
Unallocated other	0.8	2.9	3.2	2.1
Total	1.9	6.9	12.9	5.0

^a Projection based on latest year's data; - Nil

Sources: Commonwealth budget papers; PC allocation

3.46 Pharmacy restructuring measures

Under agreements between the Commonwealth Government and the Pharmacy Guild, several arrangements have been put in place relating to pharmacists' remuneration, the approval of new pharmacies and the relocation of existing pharmacies.

As part of these arrangements, the Government has also provided assistance to encourage 'marginal' pharmacies to amalgamate or close. Between 1990 and 1995, aided by government payments of over \$40 million, 630 pharmacies closed and 64 pharmacies amalgamated. Under the subsequent five year agreement signed in 1995, the emphasis has shifted from pharmacy closures and amalgamation to pharmacy relocation (PC 1999a).

Since the retail sale of any good is classified as retail trade, this scheme has been allocated to the *retail trade* industry grouping.

Table 3.46 Allocation of the pharmacy restructuring grants
\$ million

<i>Industry grouping</i>	1997-98	1998-99	1999-00	2000-01 ^a
Retail trade	7.5	10.7	12.5	10.0

^a Projection based on latest year's data.

Sources: Commonwealth budget papers; PC allocation.

3.47 Wool research

The Australian Wool Research & Promotion Organisation (AWRAP) is a Commonwealth statutory authority, jointly funded by the Commonwealth and industry levies. AWRAP's objective is to improve the performance of the wool industry in Australia by bringing together the generic promotion of wool and wool products and R&D activities (AWRAP 1999).

According to annual report data, AWRAP devotes around 13 per cent of operating expenses to R&D, 73 per cent to international promotion and 14 per cent to domestic promotion, marketing and industry services (AWRAP 1999). R&D expenditure focuses on programs to improve the on-farm return for growers, such as sheep breeding and pasture research programs. International and domestic promotion expenditure aims to stimulate consumer demand for wool products, such as clothing.

Discussions with AWRAP officers have confirmed that Commonwealth funding wholly supports R&D whereas industry levies support marketing activities, and that R&D expenditure is directed almost entirely towards the primary production sector.

Based on this information, the Commission has identified Commonwealth funding for AWRAP as assistance and has allocated this funding to the *agriculture, forestry, fishing & hunting* industry grouping.

Table 3.47 **Allocation of AWRAP funding**
\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Agriculture, forestry, fishing & hunting	7.2	9.6	12.0	13.2

^a Projection based on latest year's data.

Sources: Commonwealth budget papers; AWRAP annual reports; PC allocation.

3.48 FarmBis

The Farm Business Improvement program (FarmBis) replaced the Rural Adjustment Scheme's education and training components (see section 3.31). FarmBis funds projects, which are designed to improve farmers' business and management skills.

The FarmBis program selectively assists farmers and has been allocated to the *agriculture, forestry, fishing & hunting* industry grouping.

Table 3.48 Allocation of Farm business & community programs

\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Agriculture, forestry, fishing & hunting	5.5	6.3	11.8	27.0

^a Projection based on latest year's data.

Sources: Commonwealth budget papers; PC allocation.

3.49 Rural Industries R&D Corporation (RIRDC)

The RIRDC funds and coordinates research for the benefit of Australian farmers. During 1999-2000, around 400 projects were funded in areas such as new and emerging plant and animal industries, agribusiness, sustainable farming practices and future agricultural systems (RIRDC 2000).

Funding for this scheme selectively benefits farmers and has been allocated to the *agriculture, forestry, fishing & hunting* industry grouping.

Table 3.49 Allocation of RIRDC funding

\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Agriculture, forestry, fishing & hunting	10.8	11.0	11.1	15.6

^a Projection based on latest year's data.

Sources: Commonwealth budget papers; PC allocation.

3.50 Drought investment allowance

The drought investment allowance is a tax deduction of 10 per cent of capital expenditures of at least \$3000 on new drought mitigation facilities incurred by July 2000. For example, capital expenditures on fodder storage facilities, water storage facilities used predominantly for livestock, and water transport facilities may be eligible for the 10 per cent tax deduction (ATO 1999). This incentive is available under Part XII of the ITAA 1936. The deduction can be claimed to a limit of \$5000 per year, which means that the maximum expenditure for which a deduction can be claimed is \$50 000.

The program assists eligible primary producers and is allocated to the *agriculture, forestry, fishing & hunting* industry grouping.

Table 3.50 Allocation of the drought investment allowance

\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00^a</i>	<i>2000-01^a</i>
Agriculture, forestry, fishing & hunting	14.0	12.0	10.0	10.0

^a Projection based on 1998-99 TES data.

Sources: Treasury (1999); PC allocation.

3.51 Forestry programs

The Department of Agriculture, Forestry & Fishing (AFFA) administers the National Forest Policy program and the Forest Industry Structural Adjustment Package as well as a number of minor forestry initiatives. The National Forest Policy program aims to make Australia self-sustainable in softwood production by 2020 (the 2020 Vision). The Forest Industry Structural Adjustment Package aims to facilitate the restructuring of the native (hardwood) forest industry and to provide safety net assistance to those native forest industry businesses and workers which may be adversely affected by the implementation of Regional Forest Agreements.¹⁶ The Commonwealth also contributes to the Commonwealth-NSW Forest Industry Package.

The funding for these programs is targeted to the forestry industry and has been allocated to the *agriculture, forestry, fishing & hunting* industry grouping.

Table 3.51 Allocation of the forestry programs

\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Agriculture, forestry, fishing & hunting	13.0	36.0	9.2	51.8

^a Projection based on latest year's data.

Sources: Commonwealth budget papers; PC allocation

3.52 Income Equalisation Deposits

The Income Equalisation Deposits scheme provided a mechanism whereby primary producers could reduce fluctuations in their income by putting money aside in good

¹⁶ Regional Forest Agreements are designed to largely eliminate native forest harvesting, increase softwood plantations and minimise the adjustment costs to the industry as a result of this process.

years for use in bad years. The deposits were tax deductible in the year of deposit and assessable in the year of withdrawal. Interest was also payable on the investment component of the deposit.

This scheme preceded the Farm Management Deposits scheme (see section 3.26). The two schemes ran concurrently in 1999-2000.

The Income Equalisation Deposits scheme is targeted to primary producers and is allocated to the *agriculture, forestry, fishing & hunting* industry grouping.

Table 3.52 Allocation of the Income Equalisation Deposits scheme
\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01</i>
Agriculture, forestry, fishing & hunting	25.0	25.0	9.0	-

- Nil.

Sources: Commonwealth budget papers; PC allocation.

3.53 Lamb Industry Development program

In July 1999, the Commonwealth announced a Lamb Industry Development package to assist lamb producers, processors and exporters following a US decision to impose a tariff-rate quota on lamb imports from Australia. The program's funding ceased after 1999-2000.

The program is targeted primarily to lamb producers and has been allocated to the *agriculture, forestry, fishing & hunting* industry grouping.

Table 3.53 Allocation of the Lamb Industry Development program
\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01</i>
Agriculture, forestry, fishing & hunting	-	-	8.6	-

- Nil.

Sources: Commonwealth budget papers; PC allocation.

3.54 Supermarket to Asia strategy

In the 1999-2000 Budget, funding of \$24 million over three years was allocated to the Supermarket to Asia (STA) strategy. Supermarket to Asia Limited, a joint

industry and government corporation, was established by the Commonwealth to help Australian food producers take advantage of the growing food markets in Asia.

The STA strategy aims to improve the competitiveness of food exports. The funding is directed to:

- the STA Council (\$5million);
- the Food and Fibre Chains Program (\$9 million);
- the Technical Market Access Program of Australian Quarantine and Inspection Services (\$7 million); and
- the New Industries Development Program (\$3 million).

The STA strategy benefits both the agricultural and food processing industries. Discussions with STA officers indicate that the Food & Fibre Chains Program predominantly benefits food processors whereas the Market Access and New Industries Development Program mainly benefits agricultural producers. Further, STA officers recommended allocating funding for the operation of the STA Council between these two industries according to food exports data. The Commission has used this information to allocate the assistance to the *agriculture, forestry, fishing & hunting* and the *food, beverages & tobacco* industry grouping.

Table 3.54 **Allocation of the Supermarket to Asia strategy**

\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Agriculture, forestry, fishing & hunting	-	-	3.7	3.0
Food, beverages & tobacco	-	-	3.7	3.0
Total	-	-	7.4	6.0

^a Projection based on latest year's data; - Nil.

Sources: Commonwealth budget papers; PC allocation.

3.55 TCF assistance schemes

In 1997, the Government announced a new package of assistance measures for the textile, clothing and footwear (TCF) industries to operate from 2000 (Howard and Moore 1997). The new schemes include:

- the TCF 2000 Technology Development Fund;
- the TCF Strategic Investment Program; and

- the TCF Market Development Program.¹⁷

The stated objective of these schemes is to increase the competitiveness of the industry and reduce reliance on government support.

These targeted programs are allocated to the *textile, clothing, footwear & leather* industry grouping.

Table 3.55 **Allocation of TCF schemes**
\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Textile, clothing, footwear & leather	6.2	8.1	7.0	16.0

^a Projection based on budget appropriation.

Sources: Commonwealth budget papers; PC allocation.

3.56 Tourism programs

A number of largely domestic tourism initiatives were announced in 1998, partly in response to the Asian financial crisis. These included:

- the Regional Tourist Program to attract visitors away from metropolitan areas in support of tourism in rural and regional areas;
- the development of the Online Tourism Industry; and
- the Domestic Tourism Campaign – with the Commonwealth providing \$8 million to the campaign, on a matching basis, with funds provided by State governments and industry.

These schemes benefit the tourism industry. However, the ‘tourism industry’ covers many industry groupings under the ANZSIC system. For example, tourism operators may fall within the *accommodation, cafes & restaurants, transport & storage*, or *retail trade* industry groupings (see 3.10 above). These three industry groupings all fall within the services sector of the economy.

The Commission has insufficient information to allocate these programs between the ‘tourism industry’ groupings, and the scheme has been allocated to the *unallocated services* industry grouping.

¹⁷ The TCF Import Credits Scheme is reported separately in section 3.12 above.

Table 3.56 Allocation of tourism programs

\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Unallocated services	7.2	2.6	6.8	0.5

^a Projection based on budget appropriation.

Sources: Commonwealth budget papers; PC allocation.

3.57 Australian Animal Health Laboratory (AAHL)

The AAHL is a CSIRO bio-containment facility that handles and stores infectious micro-organisms. Exotic diseases are used in trialing vaccines and in training veterinarians to recognise diseases (CSIRO 2000).

Funding for the laboratory benefits primary producers and the scheme has been allocated to the *agriculture, forestry, fishing & hunting* industry grouping.

Table 3.57 Allocation of AAHL funding

\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Agriculture, forestry, fishing & hunting	6.1	6.1	6.1	5.8

^a Projection based on budget appropriation.

Sources: Commonwealth budget papers; PC allocation.

3.58 Shipbuilding Innovation Scheme

Under the Shipbuilding Innovation Scheme (SIS), 'registered' shipbuilders receive special assistance for R&D and innovation, instead of being able to use the R&D Start program or the more broadly based R&D tax concession. The SIS commenced in 1999, will operate for five years, and will provide benefits at the rate of 50 per cent of 'innovation expenditure'. The payment is limited to 2 per cent of eligible production costs. In contrast to the R&D Start definition of R&D expenditure, the SIS will allow a broader class of innovative expenditures by shipbuilding firms, such as adaptive engineering, to be eligible for assistance (Senate Economics Legislation Committee 1999).

This scheme benefits the shipbuilding industry and has been allocated to the *other transport equipment* industry grouping.

Table 3.58 **Allocation of the Shipbuilding Innovation Scheme**
\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Other transport equipment	-	-	6.0	9.0

- Nil.^a Projection based on budget appropriation.

Sources: Commonwealth budget papers; PC allocation.

3.59 Enterprise Development Program

This program assists manufacturing businesses in management training, adopting environmental best practice, and improving sales and turnover.

In practice, State governments operate the program and it would require information from them for the Commission to make a detailed allocation.¹⁸

As the program is broadly targeted to the manufacturing sector, it has been allocated to the *unallocated manufacturing* industry grouping.

Table 3.59 **Allocation of the Enterprise Development Program**
\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Unallocated manufacturing	28.3	14.0	6.0	1.3

^a Projection based on budget appropriation.

Sources: Commonwealth budget papers; PC allocation.

¹⁸ Discussions with AusIndustry officers indicate that this would be unlikely. It has been claimed that funding for the program has not been renewed beyond current commitments because the States failed to cooperate in targeting the funding. Discussions with the Queensland Department of State Development indicate that the necessary data to allocate this scheme are 'probably not available'. Forecast funding in 2000-01 represents existing commitments.

3.60 Printing Industry Competitiveness scheme

The Printing Industry Competitiveness scheme has been allocated \$21 million over 4 years from January 1999. Under the scheme, book printers will be able to claim payment at the rate of 4 per cent of the purchase price of paper inputs (Minchin 1999b).

The rationale for the scheme is to compensate the book printing industry for the costs of tariffs on production inputs.

The scheme has been allocated to the *printing, publishing & recorded media* industry grouping.

Table 3.60 **Allocation of the Printing Industry Competitiveness scheme**
\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Printing, publishing & recorded media	-	-	5.9	17.0

- Nil. ^a Projection based on budget appropriation.

Sources: Commonwealth budget papers; PC allocation.

3.61 Sugar industry programs

In 1997, the Commonwealth provided an assistance package to the sugar industry to compensate it for the removal of the sugar tariff on 1 July 1997 and the implementation of the requirement for the Queensland Sugar Corporation to price at export parity on domestic sales.

In addition, the Commonwealth has allocated funding to assist the New South Wales sugar industry address transport and handling impediments that currently constrain its ability to export sugar.

The programs target the sugar industry and have been allocated to the *agriculture, forestry, fishing & hunting* industry grouping.

Table 3.61 **Allocation of the sugar industry programs**
\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Agriculture, forestry, fishing & hunting	2.8	3.9	5.7	6.0

^a Projection based on budget appropriation.

Sources: Commonwealth budget papers; PC allocation.

3.62 Software Engineering Quality Centres

Software Engineering Australia (SEA) was established in 1998 to foster improved software development processes in the Australian software industry. SEA distributes funding to firms provided under the Software Engineering Quality Centres (SEQC) program.

The program targets the software development industry and has been allocated to the *property & business services* industry grouping.

Table 3.62 **Allocation of the Software Engineering Quality Centres program**
\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Property & business services	-	2.0	5.7	6.0

^a Projection based on budget appropriation.

Sources: Commonwealth budget papers; PC estimate.

3.63 Gold mining tax exemption

This scheme exempts income from the sale, transfer or assignment of rights to mine gold or prescribed metals (Section 330-60 *Income Tax Assessment Act 1997*). The scheme has recently been abolished in respect of income from contracts entered into after 20 August 1996.

The tax expenditure targets the mining industry and has been allocated to the *mining* industry grouping.

Table 3.63 **Allocation of the gold mining tax exemption**
\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99^a</i>	<i>1999-00^a</i>	<i>2000-01^a</i>
Mining	40.0	18.0	5.0	-

- Nil. ^a Treasury projection.

Sources: Treasury (1999); PC allocation.

3.64 Brandy excise preferential rate

This long-standing tax expenditure maintains a lower rate of excise on brandy than the general rate as specified in Item 2A of the *Excise Tariff Act 1921*.¹⁹

The scheme is targeted to brandy producers and has been allocated to the *food, beverages & tobacco* industry grouping.

Table 3.64 **Allocation of the brandy excise preferential rate**

\$ million

<i>Industry grouping</i>	1997-98	1998-99 ^a	1999-00 ^a	2000-01 ^a
Food, beverages & tobacco	5.0	5.0	5.0	5.0

^a Treasury projection.

Sources: Treasury (1999); PC allocation.

3.65 Horticulture capital expenditures tax deduction

Capital expenditures incurred in establishing horticultural plantations may be claimed as a tax deduction under Section 387 of the *Income Tax Assessment Act 1997*.

The tax expenditure is targeted to primary producers and has been allocated to the *agriculture, forestry, fishing & hunting* industry grouping.

Table 3.65 **Allocation of the horticulture tax deduction**

\$ million

<i>Industry grouping</i>	1997-98	1998-99 ^a	1999-00 ^a	2000-01 ^a
Agriculture, forestry, fishing & hunting	2.0	4.0	5.0	5.0

^a Treasury projection.

Sources: Treasury (1999); PC allocation.

3.66 Renewable energy programs

In November 1997, the Government announced several funding initiatives to address climate change and reduce greenhouse gas emissions (Hill, Moore and

¹⁹ Another tax expenditure (AFF13 in Treasury's TES) exempts wine, alcoholic cider and a range of other alcoholic drinks *except brandy* from excise. However, Treasury does not estimate this tax expenditure.

Parer 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 equity fund. The equity fund facilitates equity investment for the commercialisation of renewable energy technology.

These programs selectively assist industries involved in the development and delivery of renewable energy technology. Such industries may belong to various manufacturing or services industry groupings. To date, the Commission has been unable to identify the beneficiaries of the assistance and has thus allocated the funding to the *unallocated other* industry grouping.

Table 3.66 Allocation of the renewable energy programs
\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Unallocated other	-	2.0	5.0	9.0

^a Projection based on latest year's data; - Nil.

Sources: Commonwealth budget papers; PC allocation.

3.67 Automotive Market Access & Development

Funding for this scheme is dedicated towards improving trade prospects for the automotive industry by pursuing trade liberalisation and market access in key markets. The strategy deals with market access, industry and technological collaboration, and market development in priority markets (Costello and Fahey 1999).

Funding for the scheme is targeted to the motor vehicle industry. The scheme has been allocated to the *motor vehicles & parts* industry grouping.

Table 3.67 Allocation of the Automotive Market Access & Development
\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Motor vehicles & parts	-	8.0	4.8	7.0

- Nil. ^a Projection based on budget appropriations.

Sources: Commonwealth budget papers.

3.68 Tasmanian Wheat Freight subsidy

The Tasmanian Wheat Freight Shipping subsidy is designed to assist cereal processing, intensive animal feedlot and aquaculture industries in Tasmania. The subsidy is paid directly to the end users (that is, farmers).

The scheme selectively benefits Tasmanian farmers and the scheme has been allocated to the *agriculture, forestry, fishing & hunting* industry grouping.

Table 3.68 **Allocation of the Tasmanian Wheat Freight subsidy**
\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Agriculture, forestry, fishing & hunting	0.9	3.3	4.8	4.8

^a Projection based on budget appropriations.

Sources: Commonwealth budget papers; PC allocation.

3.69 Grapevine tax deduction

Capital expenditure incurred on or after 1 July 1993, and used to acquire and establish grapevines for use in a business of primary production, is deductible over a four year period under the Section 387-D of the *Income Tax Assessment Act 1997*. Deductions are available from the time vines are planted.

The tax deduction targets grape growers and has been allocated to the *agriculture, forestry, fishing & hunting* industry grouping.

Table 3.69 **Allocation of the grapevine tax deduction**
\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99^a</i>	<i>1999-00^a</i>	<i>2000-01^a</i>
Agriculture, forestry, fishing & hunting	4.0	4.0	4.0	4.0

^a Treasury projections.

Sources: Commonwealth budget papers; PC allocation.

3.70 Export Access program

The objective of the Export Access program is to enable small businesses to be export capable. Around 500 businesses are trained per year at an average cost of

\$6000 per business (Austrade 1999). Austrade does not maintain ANZSIC data on this scheme, which has been allocated to the *unallocated other* industry grouping.

Table 3.70 Allocation of the Export Access program
\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Unallocated other	3.0	4.0	3.5	3.0

^a Projection based on budget appropriation.

Sources: Commonwealth budget papers; PC allocation

3.71 Commonwealth Technology Park

In the 1999-2000 budget, the Government committed \$23 million over four years to the development of a science and technology park in the Melbourne Docklands. The Government's contribution is to be funded from the \$1 billion Federation Fund, which finances projects of major significance to mark the Centenary of Federation.

The Technology Park will commercialise innovation, and create new technology-driven industries and higher value added products and services. According to the Government, target areas for commercial development will be those with high growth and high potential returns including information technology, communications, multimedia, biotechnology, manufacturing, mining and energy (Minchin 1999a).

The Commission has been unable to obtain sufficient detailed information to allocate the funding between the various benefiting industries identified above. Presently, funding for the Technology Park has been allocated to the *unallocated other* industry grouping.

Table 3.71 Allocation of Commonwealth Technology Park funding
\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Unallocated other	-	-	3.0	8.0

- Nil. ^a Projection based on budget appropriations.

Sources: Commonwealth budget papers; PC allocation

3.72 Regional Headquarters Program

Multinational firms establishing regional headquarters in Australia can claim, among other things, business expenses incurred in relocating from overseas (Sections 82C-CE *ITAA 1997*).

Under the ANZSIC system, the managerial operations of a firm's head office are classified according to the core business of the firm. For example, if a pharmaceuticals producer established its regional headquarters in Sydney, the forgone tax revenue resulting from the tax deduction would be attributed to the *petroleum, coal, chemicals and associated products* industry grouping because, in this case, management costs are considered as overheads to the pharmaceuticals manufacturing industry.

However, this tax expenditure data is not broken down to the firm level and, hence, the Commission is unable to allocate the revenue forgone to industry groupings. Instead, the Regional Headquarters tax deduction has been allocated to the *unallocated other* industry grouping.

Table 3.72 **Allocation of Regional Headquarters Program**

\$ million

<i>Industry grouping</i>	1997-98	1998-99 ^a	1999-00 ^a	2000-01 ^a
Unallocated other	2.0	2.0	2.0	2.0

^a Treasury projections.

Sources: Treasury (1999); PC allocation.

3.73 Citrus Industry Market Diversification Subsidy

This subsidy aims to facilitate adjustment in the citrus industry as a result of downturns in international markets and seasonal factors. Commonwealth funding supports ongoing restructuring, R&D, maintenance of markets and opening up new markets.

The subsidy selectively assists the citrus industry and the subsidy has been allocated to the *agriculture, forestry, fishing & hunting* industry grouping.

Table 3.73 Allocation of the Citrus Industry Market Diversification Subsidy
\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Agriculture, forestry, fishing & hunting	0.4	1.0	1.7	0.7

^a Projection based on budget appropriations.

Sources: Commonwealth budget papers; PC allocation.

3.74 Landcare tax rebate

This rebate is available to primary producers and businesses on rural land (except a business engaged in mining or quarrying) for capital expenditures on preventing and treating land degradation. Primary producers have the choice of an immediate tax deduction or a tax rebate (tax offset) of 34 cents in the dollar. The deduction is available under Subdivision 387-A of the *ITAA 1997* and the rebate is available under Subdivision 388-A.

The landcare tax rebate is targeted to primary producers and the tax expenditure is allocated to the *agriculture, forestry, fishing & hunting* industry grouping.

Table 3.74 Allocation of the landcare tax rebate
\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Agriculture, forestry, fishing & hunting	-	-	1.0	1.0

- Nil. ^a Treasury projections.

Sources: Commonwealth budget papers; PC allocation.

3.75 Regional Minerals Program

The Commonwealth Government established the Regional Minerals Program in 1996 to facilitate the regional development of mining and mineral processing activities, and to promote regional employment opportunities (DISR 1999). The Program has recently been extended until 2004.

The program targets the mining sector and has been allocated to the *mining* industry grouping.

Table 3.75 Allocation of the Regional Minerals Program

\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Mining	<1	<1	1.0	1.0

- Nil. ^a Projection based on budget appropriation.

Sources: Commonwealth budget papers; PC allocation.

3.76 Clean Food Production Program

The Clean Food Production Program is aimed at enhancing Australia's image as a producer of 'clean' primary produce and is a part of the Government's Agri-Food strategy. The program offers export assistance and market entry strategies to small primary producers and food processors. Participants in the program are required under licensing agreements to adhere to Australian industry standards for quality and cleanliness.

Clean Food Marketing Australia Ltd (CFMA), a public company jointly owned by industry and the Government, manages the program.

The program assists primary producers as well as food processors. The Commission has been unable to obtain sufficient detailed information to allocate the program's funding and, hence, the program has been allocated to the *unallocated other* industry grouping.

Table 3.76 Allocation of the Clean Food Production Program

\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Unallocated other	0.5	0.5	0.6	1.0

^a Projection based on budget appropriations.

Sources: Commonwealth budget papers; PC allocation.

3.77 Agribusiness programs

The Department of Agriculture, Fisheries and Forestry provides funding for the commercialisation of 'agribusiness products'. In 1999-2000, the Department funded fourteen agribusiness programs.

These programs benefit primary producers aiming to commercialise new products or techniques. For example, the funding of one program supported the

commercialisation of a new variety of strawberries popular in the Japanese market. Another program supported the commercialisation of technology to melt down bovine cartilage for use in pharmaceutical products.

The funding has been allocated to the *agriculture, forestry, fishing & hunting* industry grouping.

Table 3.77 Allocation of Agribusiness programs
\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01^a</i>
Agriculture, forestry, fishing & hunting	0.2	0.4	0.3	-

- Nil. ^a Projection based on budget appropriations.

Sources: Commonwealth budget papers; PC allocation.

3.78 Computer bounty

The computer bounty, paid at a rate of 8 per cent of factory cost, is a targeted program available to domestic producers of eligible hardware and some software. Part of the computer bounty is paid on production destined for export. Survey data indicate that exports received around half of the bounty payments on computers. The computer bounty was wound up in 1998-99.

The bounty selectively benefits Australian producers of computer equipment and has been allocated to the *other machinery & equipment* industry grouping.

Table 3.78 Allocation of the computer bounty
\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01</i>
Other machinery & equipment	48.9	58.0	-	-

- Nil.

Sources: Commonwealth budget papers; PC allocation.

3.79 Energy R&D Corporation (ERDC)

Prior to its cessation in 1998, the ERDC's main role was to assist investments in energy-related R&D that would not otherwise proceed because they are not sufficiently attractive as commercial propositions for private investors.

The scheme was mainly targeted towards the mining industry and hence has been allocated to the *mining* industry grouping.

Table 3.79 **Allocation of the Energy R&D Corporation's funding**
\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01</i>
Mining	21.0	-	-	-

- Nil.

Sources: Commonwealth budget papers; PC allocation

3.80 International Trade Enhancement Scheme

This scheme, which was administered by Austrade, assisted exporters by providing loans at a non-commercial interest rate, which was set at 40 per cent of the Commonwealth Bank's business loan rate. No new clients had been admitted to the International Trade Enhancement Scheme since 30 June 1996. The 1997-98 figure reflects outstanding commitments under the scheme. The Commission has been unable to obtain sufficient data to allocate this scheme.

Table 3.80 **Allocation of the International Trade Enhancement scheme**
\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01</i>
Unallocated other	13.0	-	-	-

- Nil.

Sources: Commonwealth budget papers; PC allocation.

3.81 Book bounty

The book bounty was introduced in 1969 and has applied at rates as high as 33.3 per cent of the publisher's printing costs. It was originally intended to protect the Australian printing industry against import competition, and to assist industry development (IC 1992). Assistance had been given as a bounty because Australia's adherence to the international Florence Agreement ruled out tariffs or import quotas on books of an educational, scientific or cultural nature.²⁰

²⁰ Some Australian book printing activity such as the production of directories and timetables relating to Australia has been assisted by a tariff on imports.

The bounty rate was 4.5 per cent on 1 January 1997. The scheme ended in 1999.

The book bounty selectively assisted parts the Australian printing industry and has been allocated to the *printing, publishing & recorded media* industry grouping.

Table 3.81 Allocation of the book bounty
\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01</i>
Printing, publishing & recorded media	7.4	0.3	-	-

- Nil.

Sources: Commonwealth budget papers; PC allocation.

3.82 Enterprise Networking Program

This program encouraged and supported the development of business networks among firms to enhance opportunities for growth. Grants were provided to firms to assist in the establishment of business networks and to foster their development and expansion.

The Commission has been unable to obtain sufficient information on this program to make an allocation and, hence, the program has been allocated to the *unallocated other* industry grouping.

Table 3.82 Allocation of the Enterprise Networking Program
\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01</i>
Unallocated other	7.0	4.0	-	-

- Nil.

Sources: Commonwealth budget papers; PC allocation.

3.83 Rural Communities Access Program

The Rural Communities Access Program (RCAP) was introduced in 1994-95 and combined several existing rural assistance programs. Funding for the program ceased in 1998-99. The RCAP was designed to assist rural communities identify their service needs and provide increased access to government and other services such as banking. Funding was available for financial counselling, information services and community development projects.

This program selectively benefited rural communities, which may include people who work in industries other than primary production. Hence the program has been allocated to the *unallocated other* industry grouping.

Table 3.83 Allocation of the Rural Communities Access Program
\$ million

<i>Industry grouping</i>	1997-98	1998-99	1999-00	2000-01
Unallocated other	5.0	-	-	-

- Nil.

Sources: Commonwealth budget papers; PC allocation.

3.84 Machine tools and robots bounty

This bounty was introduced as a production subsidy in 1972 to maintain a core capacity to produce metalworking machine tools for defence purposes. The bounty rate in 1997-98 was around 5 per cent. The bounty was terminated in June 1997.

The bounty selectively targeted the machine tools and robotics industries and has been allocated to the *other machinery & equipment* industry grouping.

Table 3.84 Allocation of the machine tools and robots bounty
\$ million

<i>Industry grouping</i>	1997-98	1998-99	1999-00	2000-01
Other machinery & equipment	3.9	0.3	-	-

- Nil.

Sources: Commonwealth budget papers; PC allocation.

3.85 Australian Plague Locust Commission

The Australian Plague Locust Commission (APLC) was established in 1974. The Commission is jointly funded by the Commonwealth (50 per cent) and several State governments.

In November 1999, the APLC was incorporated into the National Audit Office of Animal and Plant Health (NOAPH), a part of the Department of Agriculture, Fisheries and Forestry (AFFA). As a result, funding for this scheme is no longer recorded as a separate item.

Commonwealth funding for the Australian Plague Locust Commission supports farming and, hence, funding has been allocated the *agriculture, forestry, fishing & hunting* industry grouping.

Table 3.85 Allocation of funding for the APLC
\$ million

<i>Industry grouping</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01</i>
Agriculture, forestry, fishing & hunting	1.0	0.8	-	-

- Nil.

Sources: Commonwealth budget papers; PC allocation.