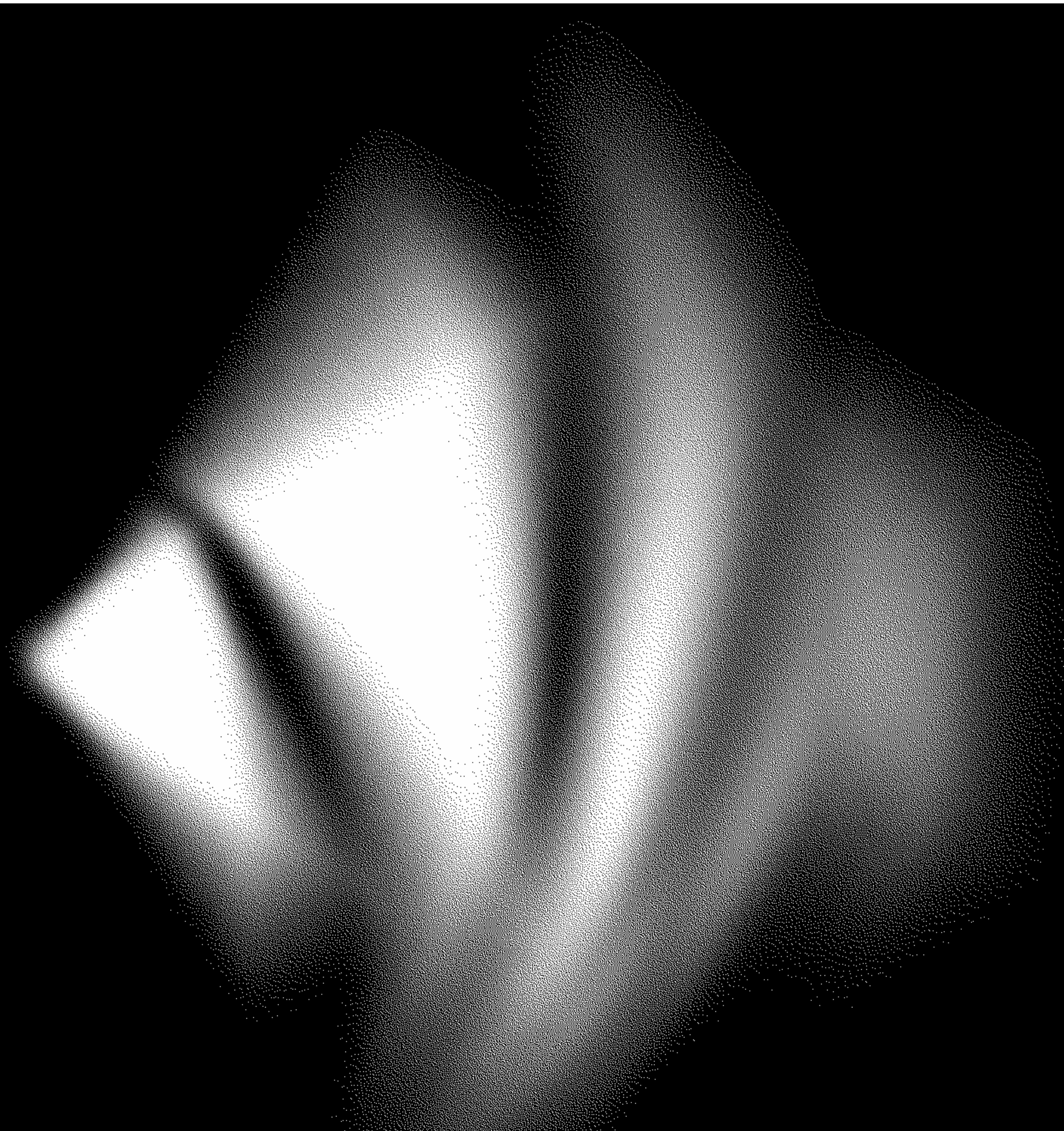
Australian Government
Productivity Commission

Trade & Assistance Review 2002-03

Productivity Commission
Annual Report Series



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The Productivity Commission

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

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

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Foreword

The Productivity Commission is required to report annually on industry assistance and its effects on the economy. This review contains the Commission's latest quantitative estimates of Australian Government assistance to industry. It also discusses recent developments in assistance in some key sectors of the economy over the past year, and outlines some recent international policy developments affecting Australia's trade.

Trade & Assistance Review 2002-03 forms part of the Commission's annual report series. Its companion volumes are the Commission's *Annual Report 2002-03*, and *Regulation and its Review 2002-03*.

Gary Banks
Chairman

December 2003

Contents

Abbreviations

AAA	Agriculture — Advancing Australia
ABARE	Australian Bureau of Agricultural and Resource Economics
ABS	Australian Bureau of Statistics
ACIS	Automotive Competitiveness and Investment Scheme
ACS	Australian Customs Service
ACT	Australian Capital Territory
AMC	Australian Magnesium Corporation
ANAO	Australian National Audit Office
APEC	Asia-Pacific Economic Cooperation
APRA	Australian Prudential Regulation Authority
ATC	Australian Tourist Commission
ATO	Australian Taxation Office
BoM	Bureau of Meteorology
COMET	Commercialising Emerging Technologies
CER	Closer Economic Relations
CRC	cooperative research centre
CSIRO	Commonwealth Scientific and Industrial Research Organisation
DFA	direct financial assistance
DSAP	Dairy Structural Adjustment Program
EC	exceptional circumstances
ECRP	Exceptional Circumstances Relief Payment
EFIC	Export Finance and Insurance Corporation
EMDG	Export Market Development Grants
ERA	Effective Rate of Assistance
EU	European Union
FI	funding to institutions
FMD	Farm Management Deposit scheme
GATS	General Agreement on Trade in Services

GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GP	general practitioner
GTL	gas-to-liquid
GVA	Gross Value Added
IC	Industry Commission
ICT	information and communication technology
INBR	incurred-but-not-reported
LDCs	least developed countries
LPG	liquefied petroleum gas
MVP	motor vehicles & parts
NCC	National Competition Council
NSE	Net Subsidy Equivalent
NSW	New South Wales
P^3	Pharmaceuticals Partnership Program
PBS	Pharmaceuticals Benefits Scheme
PC	Productivity Commission
PIIP	Pharmaceutical Industry Investment Program
PMV	passenger motor vehicles
PTA	preferential trading agreement
R&D	research and development
RRV	Run-off Reinsurance Vehicle
RTP	Regional Tourism Program
SAFTA	Singapore-Australia Free Trade Agreement
SARS	Severe Acute Respiratory Syndrome
SIIP	Strategic Investment Incentive Program
SIP	Strategic Investment Program
SITA	Societe Internationale de Telecommunications Aeronautiques
SPS	sanitary and phytosanitary
TCF	textiles, clothing & footwear
TE	tax expenditures
TFES	Tasmanian Freight Equalisation Scheme
TRADEX	Trade and Export Concession Scheme

TRIPS	Trade Related Aspects of Intellectual Property Rights
TRQ	tariff-rate quotas
UK	United Kingdom
UMP	United Medical Protection
USA	United States of America
WTO	World Trade Organization

Key points

- The gross value of assistance to industry provided by the Australian Government was equivalent to over $10 billion in 2002-03.
- This included the equivalent of $6.8 billion in the form of tariff assistance on outputs.
  - Virtually all of this was directed to industries in the manufacturing sector.
  - The resulting higher prices of manufacturing inputs meant that net tariff assistance to the other sectors (agriculture, mining and services) was negative.
- Budgetary assistance totalled $4 billion in 2002-03.
  - $2 billion was provided in budgetary outlays — the main components were funding for CSIRO (19%) and Austrade's export promotion and grants (15%).
  - The Automotive Competitiveness and Investment Scheme was the most significant tax concession, accounting for almost one-third of the $2 billion of such assistance provided.
- The manufacturing sector is the major beneficiary of Australian Government assistance. In 2002-03, it received the equivalent of $4.4 billion in net tariff assistance as well as $1.8 billion in budgetary assistance.
  - Textiles, clothing and footwear and the automotive industries remain the most highly assisted manufacturing industry groupings, although the Government has announced continuing transition programs designed to move both sectors to lower levels of assistance.
  - The Government has substantially increased assistance to ethanol recently.
- Measured assistance to most agricultural activities remains low.
  - A key exception is the dairy industry, notwithstanding a decrease in assistance since its deregulation in 2000.
  - Although not included in the Commission's estimates, significant drought relief has also been provided to farmers and rural communities over the past year.
- The services sector received some $757 million in Australian Government budgetary assistance in 2002-03. However, tariffs on manufactured inputs increased service industries' costs by some $2.5 billion that year.
  - Although not included in the Commission's estimates, some pockets of the services sector, such as the legal and medical professions, benefit from regulatory restrictions on competition.
  - Significant increases in assistance for tourism and medical indemnity insurance suppliers have recently been provided and/or announced.
- There has been little progress on international trade liberalisation recently.
  - The recent collapse of WTO talks in Mexico is a setback for multilateral reform.
  - There has been an increase in preferential trade arrangements (PTAs) — Australia itself has concluded PTAs with Singapore and Thailand recently and is negotiating a PTA with the United States.

1 Introduction

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

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

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

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

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

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

This year's *Trade & Assistance Review* contains the Commission's latest estimates of Australian Government assistance to industry (chapter 2). It also reports on selected developments in industry assistance (chapter 3).

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

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

This year's *Review*, as well as reporting on industry assistance, covers selected developments in international trade policy over the last year (chapter 4). It documents progress in the current round of World Trade Organisation (WTO) negotiations and Australia's involvement in preferential trading arrangements.

2 Assistance estimates

In this chapter, the Commission reports data and estimates covering:

- Australian Government budgetary assistance applying to all sectors;
- tariff assistance, which assists mainly the manufacturing sector;
- agricultural regulatory and pricing assistance;
- anti-dumping measures; and
- 'combined' assistance for all sectors, and effective rates of combined assistance for the manufacturing, primary production and mining sectors.

The estimates are mainly for 2002-03. A time series of 'combined' assistance, and of effective rates of combined assistance, for the period 1997-98 to 2002-03, is provided in Appendix B.

The Commission's estimates do not aim to capture all Australian Government support for industry (box 2.1); nor, apart from some minor agricultural assistance, do they include State government assistance. The Australian Government budgetary estimates also contain some measures that are counted in the tariff assistance estimates (although the Commission adjusts for this when calculating 'combined' assistance). More generally, care is needed when drawing inferences from the estimates — in particular if attempting to compare assistance to the services sector with assistance to the three merchandise sectors.

The estimates of government assistance to industry in *Trade & Assistance Review* are intended principally to aid transparency and to facilitate analysis. They do not of themselves indicate the policy merits, or the precise resource allocation effects, of different government assistance measures. Further guidance on the estimates is provided throughout this chapter and in the *Methodological Annex* to *Trade & Assistance Review 2001-02* (PC 2002b).

Box 2.1 **Coverage of the Commission's estimates**

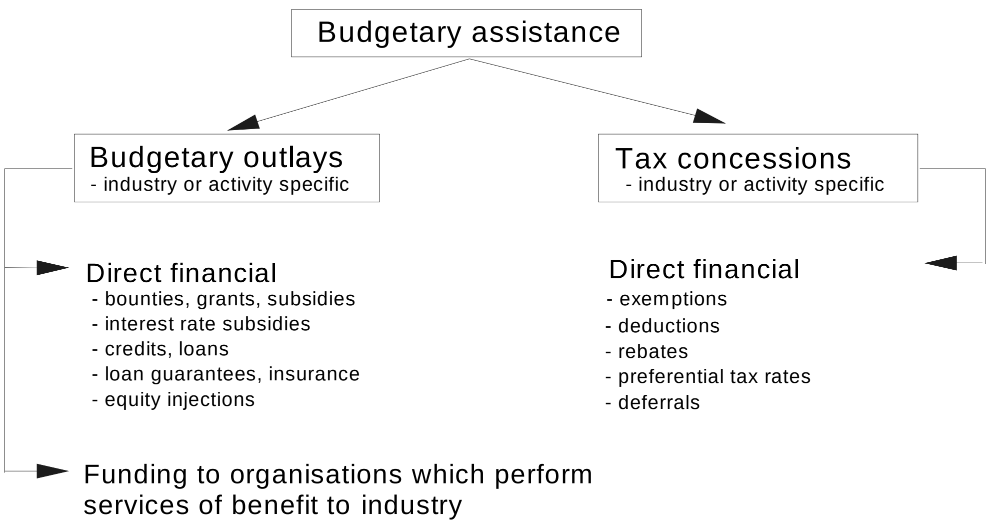
The Commission's assistance estimates cover only those measures which *selectively* benefit particular firms, industries or activities and which can be quantified given practical constraints in measurement and data availability. Exclusions from the estimates include:

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

2.1 Australian Government budgetary assistance

Budgetary assistance comprises a range of outlays and tax concessions (figure 2.1). Recipients include individual firms, including those undertaking or utilising particular activities such as R&D, as well as particular industries or sectors.

Figure 2.1 **Forms of budgetary assistance**



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

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

The assistance estimates in this section are derived primarily from the Australian Government Budget Papers and Treasury's Tax Expenditure Statement. This year, the Commission has provided data on budgetary assistance up to 2003-04. The outlay figures up to 2002-03 are estimates, and those for 2003-04 are projections (based on Treasury forecasts). The tax concession figures up to 2001-02 are estimates, while those for 2002-03 and 2003-04 are projections. The estimates incorporate the Government's revisions of outlays and tax concessions for previous years. The Commission's approach to measuring budgetary assistance is explained in more detail in the *Methodological Annex* to *Trade & Assistance Review 2001-02*.

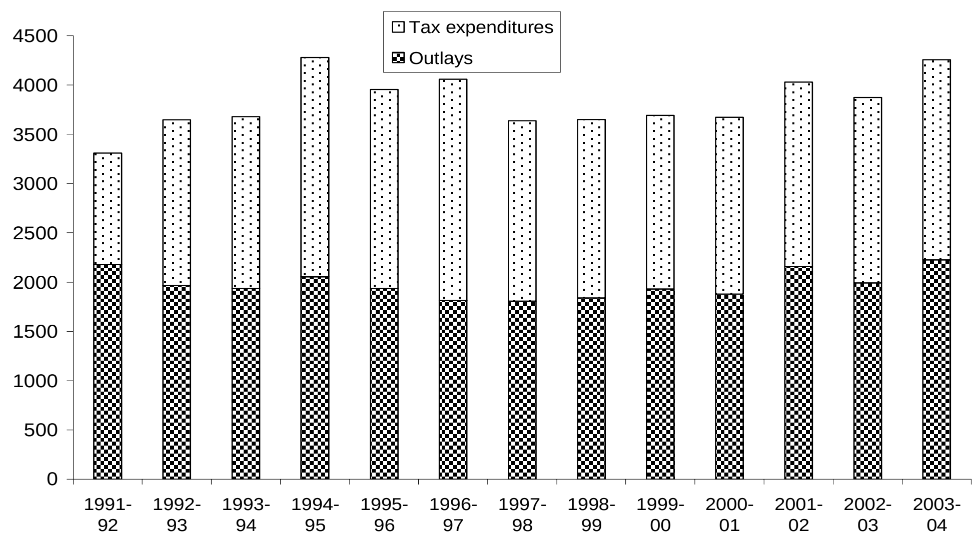
Aggregate estimates and trends

The Commission's estimates and projections of (nominal) budgetary assistance and its main components for the thirteen years to 2003-04 are shown in figure 2.2.

Budgetary assistance was around $4 billion in 2002-03 and is projected to reach $4.5 billion in 2003-04, around the same level in nominal terms as in 1994-95.

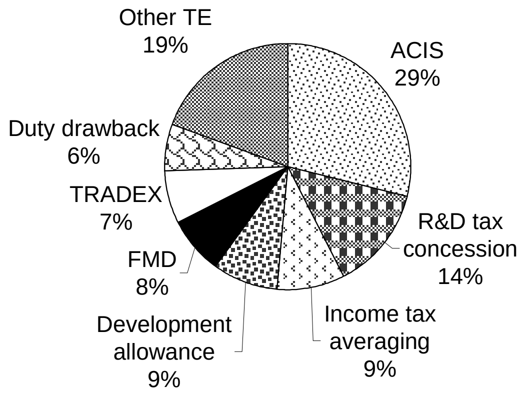
Figure 2.2 **Australian Government budgetary assistance to industry, 1991-92 to 2003-04**

$ million



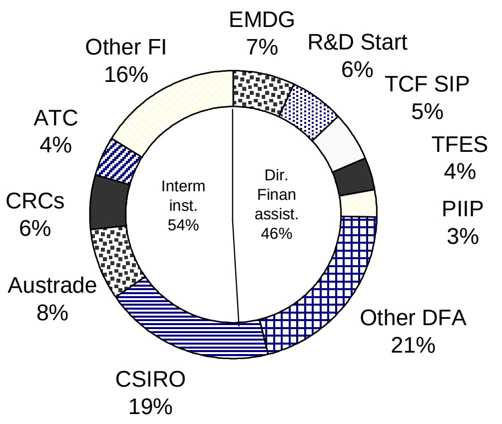
Data sources: Australian Government Budget Papers; Treasury (2003); Commission estimates.

Figure 2.3 **Major Australian Government tax concessions, 2002-03**



Data source: Commission estimates.

Figure 2.4 **Major Australian Government budgetary outlays, 2002-03**



Data source: Commission estimates.

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

Tax concessions in 2002-03 totalled $2 billion. The main tax concessions are the Automotive Competitiveness Investment Scheme (ACIS), the R&D tax concession and the income tax averaging provisions for primary producers (figure 2.3).

Budgetary outlays have fluctuated somewhat over the last four years. They totalled $2 billion in 2002-03, 8 per cent below that recorded in 2001-02. Around half of these outlays are provided as direct financial assistance, with the other half comprising the funding of institutions such as the Australian Tourist Commission (ATC). As shown in figure 2.4, important outlays include Austrade's programs and CSIRO funding.

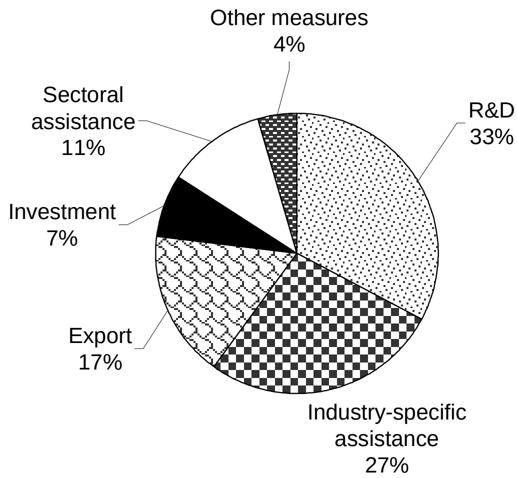
Activities targeted

Budgetary assistance is often designed to encourage particular activities undertaken by firms across various industries and/or sectors. To provide an indication of the distribution of assistance among activities, the Commission classifies Australian Government budgetary assistance into R&D, export, investment and sectoral assistance, as well as industry-specific assistance and 'other' (figure 2.5).

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

As shown in figure 2.5, following industry-specific assistance, the largest shares of budgetary assistance are provided for R&D support and exports.

Figure 2.5 **Australian Government budgetary assistance by activity[a], 2002-03**



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

Data source: Commission estimates.

Sectoral and industry distribution

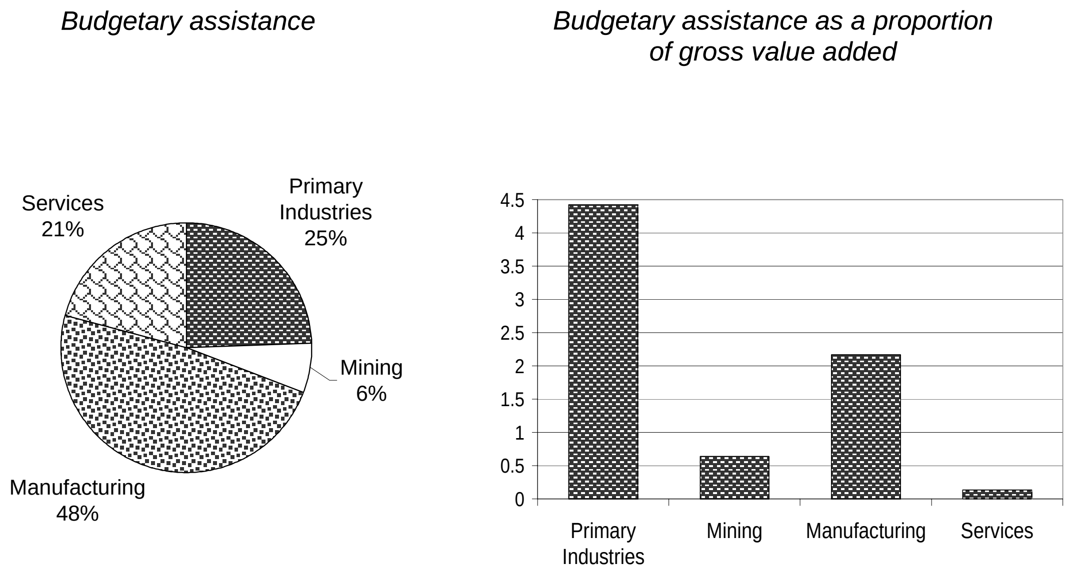
As well as reporting budgetary assistance by form and activity, the Commission estimates the incidence of budgetary assistance by the benefiting industry. It reports the incidence of assistance using a four sector classification of the Australian economy and a multiple industry classification.

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

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

Australian Government budgetary assistance varies markedly between sectors, with the largest proportion directed to the manufacturing sector. As a proportion of gross value added — that is, net industry output — budgetary assistance was highest for the primary production sector, followed by the manufacturing sector (figure 2.6).

Figure 2.6 **Australian Government budgetary assistance by sector, 2002-03**



Data source: Commission estimates.

Table 2.1 below details the incidence of budgetary assistance by the Commission's 'industry grouping' classification. These groupings are not equivalent in size, so care is needed in drawing inferences from this data. Even so, *motor vehicles & parts* receives by far the most budgetary assistance — both in absolute terms and relative to its gross value added — because of the value of tariff concessions provided under the Automotive Competitiveness Investment Scheme.

Table 2.1 **Budgetary assistance by industry grouping, 2002-03** ($ million)

Industry grouping	*Budgetary outlays*	*Tax concessions*	*Total assistance*
Primary production	**510.8**	**376.7**	**887.6**
Dairy cattle farming	36.2	21.2	57.4
Grain, sheep and beef cattle farming	183.8	233.1	416.9
Horticulture and fruit growing	63.2	53.4	116.6
Other crop growing	38.8	22.3	61.1
Other livestock farming	11.1	12.7	23.8
Fisheries	52.5	21.8	74.4
Forestry and logging	36.5	2.5	39.0
Other[a] and unallocated primary production[b]	88.7	9.7	98.4
Mining	**114.3**	**108.8**	**223.1**
Manufacturing	**680.6**	**1069.7**	**1750.2**
Food, beverages & tobacco	58.9	21.5	80.4
Textiles, clothing, footwear & leather	148.0	59.6	207.6
Wood & paper products	30.5	5.3	35.8
Printing, publishing & media	13.9	1.5	15.4
Petroleum, coal, chemical & associated products	167.8	21.4	189.2
Non-metallic mineral products	2.8	5.3	8.1
Metal product manufacturing	49.3	59.5	108.8
Motor vehicles & parts	8.0	667.9	675.9
Other transport equipment	28.7	49.2	77.9
Other machinery & equipment	106.5	33.1	139.5
Other manufacturing	25.7	24.3	50.0
Unallocated manufacturing[b]	40.6	121.0	161.4
Services	**467.6**	**289.5**	**757.1**
Electricity, gas & water supply	23.2	44.0	67.2
Construction	27.9	7.8	35.8
Wholesale trade	13.8	24.9	38.6
Retail trade	23.5	6.4	29.9
Accommodation, cafes & restaurants	36.2	5.5	41.7
Transport & storage	43.6	54.4	98.0
Communication services	59.4	17.2	76.6
Finance & insurance	2.1	65.0	67.1
Property & business services	64.6	46.6	111.1
Government administration & defence	0.2	2.4	2.6
Education	9.1	1.0	10.1
Health & community services	29.5	2.2	31.7
Cultural & recreational services	97.2	11.2	108.4
Personal & other services	1.1	1.1	2.2
Unallocated services[b]	36.1	0.0	36.1
Unallocated other[bc]	261.9	134.0	395.9
TOTAL[d]	**2035.2**	**1978.7**	**4013.9**

a Other primary production includes *services to agriculture* (including *hunting & trapping)* and *poultry farming*. **b** Unallocated includes general programs where details of claimants and/or beneficiaries are unknown. **c** Austrade export promotion expenditure, which was previously allocated, is now included in the *unallocated other* category. **d** Totals may not add due to rounding. *Source:* Commission estimates.

2.2 Tariff assistance

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

The Commission estimates that the gross dollar value of tariff assistance on outputs was $6.8 billion in 2002-03.

Most tariff assistance is directed towards industries in the manufacturing sector (column 1, table 2.2). Indeed, the sector derives around three quarters of its total measured assistance from this source.

Mining and primary production industries receive little tariff assistance on outputs, and tariffs cannot be levied on services. In fact, because of their cost-raising effects on the industries’ inputs, tariffs impose net penalties on all industries in these sectors, other than horticulture and fruit growing (column 2 in table 2.2).

Following recent government decisions, tariffs for *passenger motor vehicles* (PMV) and *textiles, clothing & footwear* (TCF), which have been frozen since 2000, are scheduled to decline in 2005 and then again in 2010.[1] The government’s recent decision on future TCF assistance arrangements is reported in chapter 3. Other industries to be affected by phasing arrangements are the *petroleum, coal & chemical products*, *fabricated metal products* and *other machinery & equipment* industries.

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

[1] PMV tariffs, currently at 15 per cent, are scheduled to decline to 10 per cent in January 2005. Automotive tariffs are to remain at this level until January 2010 when they will be reduced to 5 per cent and remain at that level until (at least) 2015. TCF tariffs, currently at 25 per cent, 15 per cent or 10 per cent (apart from those already at rates of 5 per cent or less), are scheduled to decline to 17.5 per cent, 10 per cent and 7.5 per cent, respectively, in January 2005. In January 2010, the 10 per cent and 7.5 per cent TCF tariffs will be reduced to 5 per cent, while the 17.5 per cent TCF tariffs will be reduced to 10 per cent. These tariffs will then be further reduced to 5 per cent in 2015.

Table 2.2 Tariff assistance by industry grouping, 2002-03 ($ million)

Industry grouping	*Output assistance*	*Input assistance*	*Net tariff assistance*
Primary production	**37.1**	**-80.8**	**-43.7**
Dairy cattle farming	0.0	-3.9	-3.9
Grain, sheep and beef cattle farming	0.0	-18.3	-18.3
Horticulture and fruit growing	31.5	-9.8	21.8
Other crop growing	0.0	-6.9	-6.9
Other livestock farming	0.0	-2.5	-2.5
Fisheries	0.1	-22.0	-21.9
Forestry	5.5	-10.9	-5.4
Other primary production[a]	0.0	-6.6	-6.6
Mining	**2.5**	**-182.7**	**-180.2**
Manufacturing	**6712.7**	**-2276.9**	**4435.8**
Food, beverages & tobacco	1173.7	-302.3	871.3
Textiles, clothing, footwear & leather	765.5	-161.4	604.2
Wood & paper products	499.7	-151.4	348.3
Printing, publishing & media	290.6	-114.7	175.9
Petroleum, coal, chemical & associated products	994.4	-310.2	684.2
Non-metallic mineral products	194.7	-44.6	150.1
Metal product manufacturing	839.8	-317.0	522.8
Motor vehicles & parts	1048.1	-314.9	733.2
Other transport equipment	46.2	-84.7	-38.6
Other machinery & equipment	543.0	-335.5	207.6
Other manufacturing	317.0	-140.2	176.8
Services	**38.8**	**-2537.3**	**-2498.5**
Electricity, gas & water supply	0.0	-56.3	-56.3
Construction[b]	4.3	-814.3	-810.0
Wholesale trade[b]	24.4	-191.3	-166.9
Retail trade	0.0	-221.7	-221.7
Accommodation, cafes & restaurants	0.0	-204.2	-204.2
Transport & storage	0.0	-191.7	-191.7
Communication services[b]	10.1	-71.8	-61.7
Finance & insurance	0.0	-53.7	-53.7
Property & business services	0.0	-269.1	-269.1
Government administration & defence	0.0	-197.9	-197.9
Education	0.0	-44.5	-44.5
Health & community services	0.0	-91.8	-91.8
Cultural & recreational services	0.0	-60.5	-60.5
Personal & other services	0.0	-68.4	-68.4
TOTAL[c]	**6791.1**	**ne**	**ne**

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

Source: Commission estimates.

2.3 Agricultural pricing and regulatory assistance

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

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

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

These arrangements were terminated as part of the deregulation of the dairy industry in July 2000, although a levy was imposed on retail sales of drinking milk to fund an adjustment package for existing dairy farmers. The Commission estimates that these arrangements provided around $180 million in 2000-01 to those farmers who have remained in the industry. Assistance increased again in 2001-02, to around $260 million, as payments from the Supplementary Dairy Assistance Program — announced in May 2001 — came on stream (table 2.3). In 2002-03, assistance is estimated to fall to around $170 million, primarily because of less funding from the Supplementary Dairy Assistance Program, but also more dairy farmers exiting the industry. The effects of dairy industry deregulation were discussed in more detail in last year's *Review*.

In September 2002, the Australian Government announced a new Sugar Industry Assistance Package. The package is worth up to $150 million and is funded by a levy of 3 cents per kilogram on domestic sugar sales (including sales of imported sugar and sugar for retail sale, food services and food processing). The new arrangements are expected to last for around five years. The Commission estimates that assistance derived from the package was around $30 million in 2002-03 (table 2.3). These arrangements were discussed in more detail in last year's *Review*.

The rice industry is centred in the Riverina in New South Wales. It is assisted through statutory marketing arrangements which allow the NSW Rice Growers Co-operative to vest and market all rice grown in the state. This enables the domestic price of rice to be maintained at higher levels than would prevail under more competitive conditions. The Commission estimates that assistance derived from these arrangements was around $5 million in 2002-03 (table 2.3).

Table 2.3 **Agricultural pricing and regulatory assistance, 1999-2000 to 2002-03**

$ million

Industry grouping	*1999-2000*	*2000-01*	*2001-02*	*2002-03*
Dairy cattle farming	448.6	180.6	261.5	170.5
Grain, sheep and beef cattle farming (inc. rice)	4.6	8.5	6.7	5.5
Other crop growing (inc. sugar)	-	-	-	29.5
Total[a]	**453.2**	**189.1**	**268.2**	**205.5**

a Totals may not sum due to rounding.

Source: Commission estimates.

2.4 Trends in anti-dumping activity

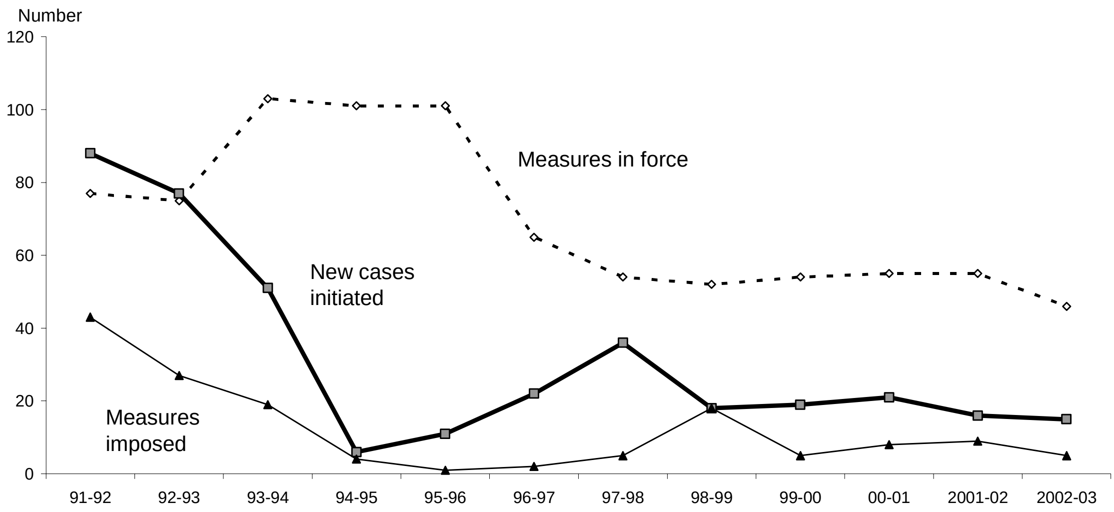
Under Australia's anti-dumping rules, local companies can apply to have anti-dumping and countervailing measures — mainly 'temporary' customs duties — imposed on 'dumped' imports if the imports cause, or threaten to cause, material injury to the local industry.[2]

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

Aside from a rise in 1997-98, the number of new anti-dumping and countervailing cases *initiated* in Australia has been stable and relatively low over recent years, compared with the early 1990s (figure 2.7). Of the 15 new anti-dumping cases in 2002-03, two firms in the *Petroleum, coal, chemical & associated products* industry were responsible for 11 initiations. This pattern of initiations is similar to that of previous years.

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

Figure 2.7 **Anti-dumping and countervailing activity[a], 1991-92 to 2002-03**



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

Data sources: ACS and Commission estimates.

The actual number of anti-dumping and countervailing measures *imposed* by the government, and the number of measures *in force*, have broadly followed the trend in the number of cases initiated, albeit with slight lags (figure 2.7).

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

2.5 Combined tariff, budgetary and agricultural pricing and regulatory assistance

The Commission compiles ‘combined’ estimates of the key forms of national assistance covered in this chapter, namely:

- Australian Government budgetary assistance;
- tariff assistance; and
- agricultural pricing and regulatory assistance.

The combined estimates exclude State budgetary assistance and assistance provided through restrictions on services trade and anti-dumping measures, as well as other forms of assistance that are not captured in the Commission’s estimates (as outlined in box 2.1).

Measures

Table 2.4 reports estimates of the dollar value of combined assistance to different industry groupings for 2002-03. This *net subsidy equivalent* is a measure of the net assistance to the land, labour and capital resources used in a particular industry or activity. It measures the transfers of income to producers from consumers, taxpayers and intermediate suppliers, although it does not indicate the 'economic welfare' costs to the community of the assistance.

Table 2.4 also includes estimates of the *effective rate of assistance* for the manufacturing, primary production and mining sectors for 2002-03.[3] Technically, effective rates are a measure of the net assistance to an industry divided by the industry's unassisted value added. They can provide an indication of the extent to which assistance to an industry allows it to attract and hold economic resources. That is, where there is some competition between industries for resources, those industries with high effective rates of assistance are more likely, as a result of their assistance, to be able to attract resources away from those with lower rates. The effective rate concept is discussed further in the *Methodological Annex* to last year's *Review*.

A time series of 'combined' assistance, and of effective rates of combined assistance, for the period 1997-98 to 2002-03, is provided in Appendix B.

Sectoral estimates

At the sectoral level, the estimates in table 2.4 indicate that:

- the manufacturing sector attracts the most combined assistance, particularly in absolute dollar terms but also in effective rate terms;
- primary production attracts a slightly lower rate of measured assistance;
- mining attracts negligible net measured assistance;
- combined assistance to the services sector is negative; and
- compared to the levels of assistance recorded in earlier periods for some sectors[4], all sectors now record low average rates of assistance.

3 Effective rates of assistance (ERA) have not been published for the services sector. Among other things, this reflects technical matters associated with the treatment of services in transportable goods sectors. ERA for services would also involve double-counting of services value added in the formation of economy-wide ERA measures.

4 For example, although calculated on a slightly different basis, the effective rate of assistance for manufacturing was around 35 per cent in 1970-71.

The effective rate of combined assistance to primary production increased in 2002-03 to 4 per cent, compared to 3 per cent in the previous year. This primarily reflects the lower value of production in the sector due to the drought.

Industry estimates

These sectoral averages hide significant variation in assistance between industries.

At the high end are TCF and parts of MVP. The effective rates for these industry groupings are around 25 and 11 percent respectively. However, the MVP industry grouping covers a broader range of activities than just passenger motor vehicle production. Some of the activities in this industry grouping receive low assistance; others attract high levels of assistance. Indeed, in its recent inquiry into the automotive industry (PC 2002a), the Commission estimated (using different data sources) that assistance in 2000 to a 'typical' motor vehicle assembler and component producer within the sector exceeded 30 per cent.

The dairy industry continues to record the highest level of assistance among agricultural industries, with an effective rate of around 16 per cent in 2002-03. However, this represents a significant decline compared with the level that prevailed prior to the industry's deregulation in July 2000, when the effective rate of combined assistance was 34 per cent. Further, under the new arrangements, assistance to dairy farmers has been 'decoupled' from dairy output and farm activity levels, thus diluting its effects on production incentives.

All other industry groupings covered in the estimates recorded an effective rate of less than 5 per cent in 2002-03, with many recording a rate of less than 3 per cent.

While mining recorded a negligible effective rate and fisheries and forestry recorded effective rates of around 3 and 4 per cent respectively, the forms of assistance covered in the 'combined' estimates play a relatively minor role in these industries compared with other government measures. Specifically:

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

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

Table 2.4 **Combined[a] assistance by industry grouping, 2002-03**

Industry grouping	*NSE*[b]	*ERA*
	$m	*%*
Primary production[c]	**1049.3**	**4.2**
Dairy cattle farming	224.0	15.6
Grain, sheep and beef cattle farming	404.1	3.4
Horticulture and fruit growing	138.4	4.0
Other crop growing	83.7	3.4
Other livestock farming	21.3	2.5
Fisheries	52.5	3.1
Forestry	33.6	4.1
Other primary production[d]	9.8	0.4
Mining[c]	**40.6**	**0.1**
Manufacturing[c]	**5492.2**	**4.5**
Food, beverages & tobacco	950.8	3.6
Textiles, clothing, footwear & leather	794.2	25.2
Wood & paper products	384.1	4.8
Printing, publishing & media	190.9	1.4
Petroleum, coal, chemical & assoc. products	869.7	4.3
Non-metallic mineral products	158.2	2.3
Metal product manufacturing	626.6	4.1
Motor vehicles & parts	767.7	10.8
Other transport equipment	39.1	1.6
Other machinery & equipment	342.4	2.6
Other manufacturing	206.8	4.1
Services[c]	**-1753.8**	**ne**
Electricity, gas & water supply	10.9	ne
Construction	-776.0	ne
Wholesale trade	-129.3	ne
Retail trade	-192.0	ne
Accommodation, cafes & restaurants	-162.5	ne
Transport & storage	-97.0	ne
Communication services	14.9	ne
Finance & insurance	13.3	ne
Property & business services	-161.5	ne
Government administration & defence	-197.7	ne
Education	-34.5	ne
Health & community services	-60.1	ne
Cultural & recreational services	47.8	ne
Personal & other services	-66.3	ne

a 'Combined assistance' comprises budgetary, tariff and agricultural pricing and regulatory assistance, as reported in tables 2.1, 2.2 and 2.3 respectively. The total NSE has been adjusted to take account of programs included in both tariff and budgetary assistance. **b** NSE estimates are derived using ABS Industry Gross Value Added at current prices data. This information is subject to periodic revision by the ABS. **c** Totals may not add due to rounding. Sectoral totals also include assistance to the sector that has not been allocated to specific industry groupings. **d** Other primary production includes *services to agriculture* (including *hunting & trapping*) and *poultry farming*. **ne** not estimated.

Source: Commission estimates.

3 Recent developments in assistance arrangements

In this chapter, the Commission documents key policy changes and developments affecting assistance to industry over the past year or so, and provides some background to them. The chapter covers:

- drought relief;
- agricultural adjustment;
- tourism;
- ethanol;
- pharmaceuticals;
- textiles, clothing and footwear;
- medical indemnity arrangements;
- investment attraction and project-specific assistance; and
- anti-dumping arrangements.

3.1 Drought relief

Droughts, like floods, are common occurrences in Australia. The last major drought occurred during the first half of the 1990s. While less prolonged, the current drought has been one of the driest on record, causing the net value of farm production in 2002-03 to fall by 75 per cent — to a level similar to that experienced during the 1991–95 drought (box 3.1).

The Australian Government has committed more than $1 billion in assistance for the farming community (Truss 2003a). This represents a significant increase compared to the $590 million in drought relief provided during the 1991–95 drought (ABS 2003a). State Governments have also provided drought relief.

Box 3.1 **The drought of 2002 and 2003**

The current drought is one of the driest on record. Total annual rainfall for Australia in 2002 averaged 339 mm or around 30 per cent below the long-term annual average. Following useful rain in February 2002, rainfall during the March to December period was the lowest for all equivalent periods on record (BoM 2003). The drought spread across much of the country, especially the eastern half and south-west corner of Australia, where most agricultural production occurs.

Reflecting the severity of the current drought, the volume of agricultural production in Australia declined by 23 per cent in 2002-03. This, together with price falls and cost increases also associated with the drought, caused the net value of farm production to fall by around 75 per cent to $2.7 billion (ABARE 2003).

Broadacre and dairy farms were hit hardest. In 2002-03, grain production fell by around 60 per cent to 17.8 million tonnes, while incomes of livestock producers fell because of forced sales of livestock at discounted prices and the increased costs of purchasing hay and grain to supplement depleted pastures. Total milk production declined by around 8 per cent in 2002-03, because of substantial reductions in milk supply in the irrigation districts of northern Victoria.

Even so, compared with the two most recent droughts, in 1982-83 and 1991–95, the net value of farm production in 2002-03 was higher in real terms than in 1982-83 and roughly the same as the annual average value over the 1991–95 period (ABARE 2003). This is partly because the effects of other (non-drought) factors. For example, during the 1982-83 drought, farm incomes were further eroded by lower prices received for farm products on world markets and high domestic interest rates. The ratio of prices received to prices paid by farmers declined by 5.2 per cent in 1982-83, compared with a fall of 1.5 per cent in 2002-03.

Improvements in farm productivity since 1982-83, particularly in the broadacre cropping sector, have also helped to alleviate the impact of the current drought. Crop growers now make wider use of conservation tillage techniques and better designed cultivation and sowing equipment. Farmers also have more choice of plant varieties to sow, while improvements in plant breeding have increased the number of varieties that are able to withstand adverse seasonal conditions.

While seasonal conditions improved in many parts of Australia the second half of 2003, ABARE expects the effects of the drought to continue for some time. Producers of winter grains are unlikely to reap the benefits of their crops until they are harvested in late 2003, while the recovery for livestock producers will be slowed by their need to hold stock back from sale to rebuild their herds and flocks. With limited water availability in many of the major irrigation storages, 2003-04 is also likely to be a difficult year for producers of irrigated crops such as rice and cotton.

While having a significant impact on the farm sector, ABARE has estimated that the drought reduced total economic growth in Australia by only around 1 percentage point, or $7 billion, in 2002-03 (ABARE 2003). This reflects the limited contribution that agriculture now makes to Australia’s GDP — less than 5 per cent before the drought.

Sources: BoM (2003), ABARE (2003).

Australian Government drought relief

Exceptional circumstances assistance

The Exceptional Circumstances (EC) program is the main Australian Government program providing assistance to drought-affected farmers. $279.1 million was distributed under the EC program in 2002-03. The Australian Government estimates that it will provide more than $1 billion in EC assistance during the drought and drought recovery phase (Truss 2003a).

Before assistance can be provided under the EC program, however, an area must receive an EC declaration. State and Territory Governments are responsible for lodging applications for EC assistance with the Australian Government Minister for Agriculture, Forestry and Fisheries, once they consider that the EC criteria have been met. EC applications must demonstrate that the event (whether a drought or other occurrence) must be rare (a one in 20 to 25 year event); results in a severe downturn in farm incomes over a prolonged period; affects a significant number of farmers in a region or industry; and not be predictable or part of a process of structural adjustment.

Once an area has received an EC declaration, assistance provided under the EC program is available for a period of up to two years and is provided in the form of:

- family income support (Exceptional Circumstances Relief Payments); and
- business support for farm enterprises.

Exceptional Circumstances Relief Payments (ECRPs) are paid fortnightly at a rate equivalent to the Newstart Allowance.[1] ECRPs are subject to some of the income and assets tests applying to Newstart Allowance, but farm assets are exempt from the assets test and proceeds from the forced sale of livestock due to drought are excluded from the income test.

Business support is provided in the form of interest subsidies up to a maximum of 50 per cent of interest payments. The arrangements are administered by State and Territory rural adjustment authorities. To be eligible for business support, the State administering authority must be satisfied that an applicant's farm enterprise is experiencing financial difficulty because of the EC event, and that the business also has prospects of long-term profitability and sustainability. The applicant must also have disposed of all non-essential farm assets and may only, as at 1 July 2003, have

[1] The NewStart Allowance is a fortnightly payment available to unemployed people who are activity looking for work. Subject to income and assets tests, the payment for a single person with no dependents is $385 per fortnight.

off-farm assets with a net value of no more than $212 500. Business support is funded jointly by the Australian Government (90 per cent) and State and Territory governments (10 per cent).

By mid-August 2003, 53 EC applications had been lodged by State and Territory Governments. Of these applications, 42 areas had been EC declared and therefore eligible for the EC assistance, while the remaining 11 areas were still being assessed but have access to assistance under the interim drought relief program (see below). In EC-declared areas, more than 20 600 applications for EC income support have been approved, while 5778 farming businesses received interest rate subsidies. Accounting for around 65 per cent of Australia's agricultural land, EC-declared areas mainly cover the eastern states, southern Western Australia and pastoral South Australia (Truss 2003a).

Other initiatives

In September 2002, as part of reforms to the EC program, the Australian Government announced it would provide interim income support payments for drought-affected farmers. The payments are available for a period of six months commencing from the date on which the Minister for Agriculture, Fisheries and Forestry announces that an application for exceptional circumstances for an area has a prima-facie case.

In November 2002, the Australia Government announced a number of additional measures to assist drought-affected farming communities.[2] These included earlier access to Farm Management Deposits for farmers in EC-declared areas; additional funding of $2 million for personal counselling services in drought-affected areas; a re-allocation of $10 million in funding from the Natural Heritage Trust to target works protecting the land, water, vegetation and biodiversity resource base; a $1 million pest management grant; and $1 million in emergency funding for the Country Women's Association to assist it in helping and supporting farmers.

In December 2002, the Australian Government also announced that it would provide a one-off drought relief package of $368 million over three years. Subject to eligibility, the package included interim income support for farmers for a period of six months, an interest rate subsidy on new and additional commercial loans up to $100 000 for stock support and drought recovery, an interest rate subsidy on

2 This was in addition to the assistance available under the Agriculture Advancing Australia (AAA) package (section 3.2). For example, the AAA FarmHelp program provides short-term financial support, professional advice, reestablishment grants and retraining grants to farmers experiencing financial difficulty and those who decide to exit farming.

existing or new commercial loans up to $100 000 for small businesses in EC-declared areas, an extension of the Work for the Dole scheme (Drought Force[3]), and improvements to the Incentive for Rural and Regional Skills Shortages Program.

In February 2003, the Australian Government announced that it would give special consideration to assisting regional tourism ventures that have been affected by the drought. Assistance will be provided from the Government's $8 million Regional Tourism Program (RTP). Individual grants of between $25 000 and $75 000 will be available from the program (Hockey 2003a).

In June 2003, the Australian Government announced that drought-affected farmers in areas where EC applications have been submitted will continue to receive interim income support payments until 30 September 2003, subsequently extended to 30 October 2003, or until their application is decided (Truss 2003b). As discussed above, the support payments were initially intended to be available for a maximum period of six months, or until early June 2003.

In July 2003, the Australian Government announced changes to the eligibility criteria for the Small Business Interest Rate Relief program. The program had been announced in December 2002 (see above) as part of the Australian Government's one-off drought relief package. The program provides interest relief to eligible businesses of up to $10 000 over a two year period in EC-declared areas. The changes to the eligibility criteria include:

- a lowering of the required reduction in turnover (from 50 to 30 per cent), when compared with the average of the same six-month period in the previous three years;
- a reduction in the minimum average annual turnover requirement for the past three years, from $50 000 to $30 000;
- a reduction (from 75 to 50 per cent) in the proportion of turn-over that small businesses *outside* an EC-declared area must derive from an EC-declared area (previously 75 per cent); and
- the removal of the requirement for small businesses *inside* an EC-declared area to have at least 60 per cent (75 per cent if the owner resides outside an EC-declared area) of turnover from EC-declared areas (Howard 2003a).

[3] The Drought Force initiative is an extension of the Work for the Dole scheme that gives people who lose their job because of the drought, and other suitably skilled unemployed people from the local area, the opportunity to work on properties or community projects in drought affected areas. Participants have immediate access to a training credit of $800.

In October 2003, the Australian Government announced that it would conduct a review of Australia's drought policy, including drought assistance measures. The review panel is to conduct consultations with farmers, rural organisations and other interested bodies in each State. The panel's report is to be considered by a national round-table of Primary Industry Ministers from the Australian and State and Territory Governments (Truss 2003c; 2003d).

State Government drought relief

State and Territory Governments have also introduced measures to help drought-affected farming communities, including both targeted and non-targeted cash grants, transport subsidies, additional funding for rural counselling services and deferment of interest payments on loans. The Queensland Government, for example, has a number of arrangements in place including freight subsidies, electricity tariff relief, the deferment of interest payments on loans from the Queensland Rural Assistance Authority and assistance for financial counselling.

State governments announced several drought-relief initiatives during 2002.

- In July 2002, the NSW Government announced a package of measures including a transport subsidy scheme, deferment of interest payments on loans from the NSW Rural Assistance Authority, and an expansion of the special conservation scheme. In 2002-03, funding for drought assistance in NSW was around $80 million.
- In August 2002, the NSW Government announced it would provide assistance to regional businesses that had been severely affected by the drought. Subject to eligibility, the Business Drought Assistance Program provides assistance in the form of payroll tax relief and individual grants of up to $3000 for business and credit management strategies.
- In October 2002, the Victorian Government announced a funding package for drought assistance of $27.7 million (revised to over $55 million in May 2003 (Cameron 2003b)). The package includes (non-targeted) grants of up to $20 000, subject to appropriate business management procedures being in place. The assistance package ended on 7 May 2003.
- In October 2002, the Western Australian Government announced a $6.8 million funding package comprising direct assistance grants of up to $6000 per eligible farm business, $1.5 million in additional funding for the Farm Water Grants scheme and an extra $300 000 to extend rural counselling services.
- In October 2002, the South Australian Government announced a funding package of $5 million including cash grants of up to $10 000 for assistance in

reseeding crops, restocking and for domestic water supplies, an additional $300 000 for rural counselling support, $150 000 for grants for rural community groups, and $1 million in additional funding for the FarmBis program.

In January 2003, the Victorian Government announced it would spend an additional $2.5 million to help Victoria's worst affected rural communities overcome and recover from the effects of drought. The program, the Drought Social Recovery Strategy, funds a number of welfare and support services including:

- a rural health promotion officer to help drought-affected communities;
- an extension of eligibility for preschool fee subsidies to farming families who were successful in obtaining a Farm Business Grant; and
- improved eligibility of families with school-aged children for the Education Maintenance Allowance (Cameron 2003a).

In February 2003, the Queensland Government announced that it would fund new drought assistance measures for eligible farmers. The new measures comprise three schemes, Drought Carry-on Finance, Drought Recovery and Mortgage Duty Relief. The Drought Carry-on Finance and Drought Recovery schemes provide concessional loans for on-going operations and recovery action after the drought, respectively. The Mortgage Duty Relief scheme provides assistance to farmers whose mortgages are re-financed with an existing or new financial institution. To be eligible for assistance under the Mortgage Duty Relief scheme farmers must currently be receiving EC assistance (Palaszczuk 2003).

In April 2003, the South Australian Government announced it would reallocate $280 000 from the State's contribution to the EC program to the Murray Mallee region to provide additional relief and community support under the State's $5 million drought assistance package (see above) (Rann 2003).

In September 2003, the Victorian Government announced that it would provide a $250 000 package of grants for Victoria's drought-affected regions. The grants are intended to support a wide range of community and economic development projects in Local Government Areas hit hardest by the drought. Projects will include sporting events, arts and heritage festivals, community mentoring and leadership programs, market days and family workshops. The grants will be provided through the Victorian Rural Leadership and Community Events Program (Brumby 2003c).

In December 2003, the NSW Government announced the provision of $100 Christmas support grants to drought-affected farmers in NSW. To help fund the grants, the NSW Government had donated $300 000 to the Community Disaster Relief Fund. To be eligible, farmers must have received a Drought Household Payment from the NSW Department of Community Services (Refshauge 2003).

3.2 Agricultural adjustment assistance

Another component of Australian Government budgetary assistance to Australian agricultural industries has been measures designed to facilitate structural adjustment.

In 1997, the Government introduced the *Agriculture — Advancing Australia* (AAA) package to replace the Rural Adjustment Scheme and other rural programs. The package had an initial budget allocation of $500 million over four years and, in the 2000-01 Budget, was extended for an additional four years at a estimated funding cost of $309 million. The Commission reported on these measures in previous *Reviews* (see PC 1998 and 2000b).

In July 2003, the Australian National Audit Office completed a review of the administration of the AAA package (ANAO 2003). The ANAO review specifically examines the three AAA programs that have drawn the most funding to date:

- the Farm Management Deposits (FMD) scheme;
- Farmbis II; and
- FarmHelp.

Overall, the ANAO review found that many aspects the AAA programs examined are well managed and have been well promoted to primary producers. Even so, it concluded that there are some weaknesses in program administration. The ANAO findings that have assistance implications are outlined below.

Farm Management Deposits scheme

The Farm Management Deposits (FMD) scheme was introduced in 1999, replacing the Income Equalisation Deposits and Farm Management Bonds schemes.

The FMD scheme provides an income tax concession to eligible primary producers. It allows the full tax deduction of primary production income deposited in FMD accounts in years of high income when primary producers are subject to the highest marginal tax rates. In years of lower income, primary producers can withdraw the deposits with a lower income tax rate. Farmers can make FMD deposits of up to $300 000. The deposits earn market interest rates offered by financial institutions.

Since its inception, the FMD scheme has grown to become one of the most important industry assistance measures to primary production activities. The tax revenue forgone under the scheme has increased from $35 million in 1999-2000 to $150 million in 2001-02, and is projected to rise to $470 million in 2002-03. This far exceeds the original forecast of the revenue forgone ($12 million in 1998-99 and

$24 million per year for later years), made when the measure was introduced (Costello and Anderson 1998).

The number of primary producers participating in the scheme rose from 7500 in June 1999 to 39 537 in December 2002. Over the same period, the value of FMD holdings has increased from $280 million to some $2 billion.

Similarly, there has also been a proliferation of FMD-related financial products and institutions offering such products since 1999, when the government devolved administration of FMD accounts to financial institutions. An ANAO survey of primary producers found that the main reasons for using FMD included 'taxation arrangements' as well as 'putting money away in case of a bad year'.

The ANAO found that the scheme predominantly provides benefits to primary producers with the highest marginal tax rates. According to the ANAO analysis, in 2000-01, the average taxable primary production income of users of the FMD scheme ($64 776) was more than three times that of those who did not use the scheme ($19 335).

The industry incidence of the FMD scheme varies widely. Usage of the scheme by grain and mixed livestock-crop producers was three times that of vegetable growers.

The value of assistance provided by the FMD scheme is the tax revenue forgone in each year (called 'tax expenditures'). The effect of the FMD scheme is equivalent to an industry assistance measure provided via a 'taxable grant'. The ANAO noted that, in the absence of the scheme, primary producers may use other tax concessions that are in place (such as income tax averaging provisions), leading to a lower revenue loss. Even on this basis, the revenue loss from the FMD scheme was estimated to be $410 million in 2002-03 (table 3.1).

Table 3.1 **Estimates of tax expenditures and other revenue losses**
$ million

	1999-00	*2000-01*	*2001-02*	*2002-03*
Tax expenditures	35	50	150	470
Revenue loss — taking into account the possibility of farmers using other tax concessions	–	45	120	410

Source: ANAO 2003.

In October 2002, the *Taxation Laws Amendment Act 2002* was passed in response to concerns that primary producers were holding money in FMD deposits rather than using it for drought-related purposes. The Act allows primary producers in EC drought declared areas to withdraw FMD funds without the loss of tax benefit.

In July 2003, the eligibility rules for the administration of FMD accounts were amended. The changes were in response to concerns about the effects of the proliferation of financial institutions (banks, building societies and credit unions) providing FMD products. Under the new arrangements:

- Eligible financial institutions are defined as those authorised deposit-taking institutions under the Banking Act 1959, or those having State and Territory guarantees for their deposits.
- Primary producers with FMD deposits in ineligible financial institutions will have until June 2004 to transfer their deposits to eligible financial institutions and retain FMD status. For some deposits, the transfer period can be up to four years.

FarmBis II

FarmBis II provides funding to support training for primary producers in natural resource management, business and financial planning, farm performance benchmarking, risk management, skills auditing, leadership and marketing.

FarmBis II is administered under an Commonwealth-State agreement which provides for a cap on the percentage of total expenditure that can be allocated to State government program administration. This administration cost is set at 22 or 25 per cent (depending on the State) of total program expenditure over the three year life of the program. The ANAO review noted that most States were exceeding the cap at the halfway point of the program and that, in some States, there is a risk that the caps will be exceeded over the full three year life of the program.

3.3 Tourism

The tourism 'industry', as defined by the ABS, comprises parts of several other industries, such as *Accommodation, cafes & restaurants* and *Transport services*. It includes expenditure by both domestic travellers and visitors from abroad. So defined, tourism is an important part of the Australian economy, accounting for 4.5 per cent of GDP in 2001-02 (ABS 2003b).

After strong growth in previous years, the economic contribution of tourism contracted following 2000-01 due to a downturn in international air travel following the September 2001 terrorist attacks in America. International air travel has also been affected by matters such as the Bali bombings of October 2002 and concerns about SARS.

International tourism in Australia is yet to recover fully from this downturn, although tentative signs of growth are emerging. Visitor numbers from Korea, New Zealand and the United Kingdom are up on last year. However, the traditional markets of Japan, Singapore and the United States have not recovered. Patchy global economic conditions, concerns about terrorism and the residual concerns about SARS in some countries has limited a full return to trend growth (DITR 2003a). On the other hand, more Australians holidayed within Australia during this period.

As reported in last year's *Review*, Australian governments have provided a number of measures to assist the tourism industries in recent years, particularly in 2002.[4] Developments since then are set out below.

Australian Government initiatives

In addition to a range of general tourism assistance measures, including extra funding for the Australian Tourist Commission, the Regional Tourism Program and the 'See Australia' campaign, the Australian Government introduced a number of assistance measures in 2001-02 following the collapse of Ansett Airlines. The Government has since closed the Travel Compensation Fund and the Ansett Holiday Package Relief Fund schemes, and on 1 July 2003 it terminated the Air Passenger Ticket Levy — a $10 levy on airline tickets introduced in October 2001 to fund the entitlements of former Ansett employees (Anderson 2003b).

In December 2002, the Australian Government announced $26.7 million in additional funding for the Cooperative Research Centre for Sustainable Tourism to help tackle the lack of research and development by the tourism industry (Hockey 2002).

The Australian Government announced a number of initiatives in May and June 2003 to counter the negative impact of the threat of terrorism, the war in Iraq and the SARS virus:

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4 The Commission has not previously published estimates of assistance to tourism in *Trade & Assistance Review* or, until recently, elsewhere. However, in its recent study of the *Industries, Land Use and Water Quality in the Great Barrier Reef Catchment* (PC 2003b), the Commission developed preliminary estimates for the industry. The estimates incorporate funding for the Australian Tourist Commission, the Regional Tourist Program, the Domestic Tourist Campaign and the Regional On-line Tourism Program. The estimates also include a proportion of the net tariff and budgetary assistance received by other tourism-related industries, as defined by the ABS. While the estimates suggest that net assistance to tourism may be negligible, the Commission emphasised, among other things, that it has yet to investigate all measures that may benefit or penalise tourism. The Commission is currently undertaking a more detailed study of assistance to tourism.

- a $7 million domestic tourism campaign — a joint initiative between the 'See Australia' campaign, state and territory tourism organisations and the tourism industry — to encourage Australians to holiday locally (Hockey 2003c);
- a $7.9 million international marketing campaign targeting Japan and New Zealand (Hockey 2003d);
- a $13.2 million international marketing campaign targeting Australia's most important tourist markets, starting with the United States (Hockey 2003f); and
- a $20 million marketing campaign — jointly funded by the Australian Government and industry partners — to promote Australia as a tourist destination in Asia, Europe, the Middle East, New Zealand and the United States (Hockey 2003g).

In addition, the Minister for Small Business and Tourism led a trade delegation to Singapore, Japan, the United Kingdom and the United States in July to promote the Australian tourism industry after the SARS outbreak.

In response to the drought and bushfires in January and February 2003 in south-eastern Australia, the Australian Government announced:

- that special consideration would be given to assisting affected regional tourism businesses under the $8 million Regional Tourism Program (Hockey 2003a);
- cash grants of $3000 for affected small businesses (including tourism operators) under the $2 million Small Business Bushfire Relief Program[5] (Hockey 2003b); and
- a one-off $0.5 million payment to the ACT Government in May for a tourism promotion initiative following the January 2003 bushfire (Hockey 2003e).

The Australian Government's White Paper initiatives

Following an extensive consultation process, in November 2003 the Australian Government released its *Tourism White Paper: A Medium to Long Term Strategy for Tourism* (Australian Government 2003c). According to the White Paper, it sets out:

> …a foundation for Australian tourism to capture, maintain and grow future market share. The strategy is based on expectations of a highly competitive international environment requiring flexibility, innovation and responsiveness at all levels of the Australian tourism industry. (Australian Government 2003c, p. xi)

[5] Small businesses are also eligible for assistance under the Australian Government's $500 million drought relief package.

The White Paper seeks to shift the focus of the industry away from visitor numbers (the demand side) towards the ‘tourism product’ (the supply side) and to make the industry better able to manage future external shocks. It includes measures that aim to reinforce Australia’s international and domestic marketing efforts, boost the growth and development of tourism in regional Australia, enhance niche tourism, and develop a better tourism research base.

As part of the White Paper initiatives, the Australian Tourist Commission, the ‘See Australia’ national tourism initiative, the Bureau of Tourism Research and the Tourism Forecasting Council will be merged to form a new organisation called ‘Tourism Australia’.

The additional measures announced in the White Paper will cost $235 million over the next four-and-a-half years, with many to be jointly funded with the industry, local and state governments. Details on the Paper’s initiatives are set out below.

International marketing

According to the White Paper, Tourism Australia will be responsible for international marketing and will work closely with other government agencies to develop a revitalised ‘Brand Australia’, and leverage promotion of Australia through strategic partnerships with state and territory marketing bodies. Its base level funding for international marketing will increase by $120.6 million over four-and-a-half years and will focus on higher yielding tourists. This will take the total budget for international marketing to over $500 million over the same period (Howard 2003c). The Australian Government will also support the development of an International Tourism Ambassador Program.

Domestic marketing

The White Paper includes a $45.5 million increase in funding to ‘See Australia’ to promote generic domestic tourism and to encourage Australians to holiday at home. ‘See Australia’ is also to work with individual regional and local tourist organisations to support regional tourism marketing and development. An additional $19 million is earmarked for the Tourism Development Programme focusing on regional Australia.

Research and statistics

Tourism Australia will receive an additional $21.5 million to provide an enhanced research and statistics base to assist government and industry. ‘See Australia’ is to provide market research to identify new and high yield markets, and to guide development of tourism product in regional areas.

Events and niche markets

Tourism Australia is to focus on promoting Australia as a high quality business and events destination, and will develop partnerships with Asia-Pacific regional tourism agencies. Tourism Australia is to work with industry and the states to identify strategic market development plans for high yielding niche markets and establish a National Events Calendar and web-based register of events.

Other initiatives

The White Paper contains a range of other initiatives, including:

- developing a national, voluntary tourism accreditation system;
- establishing a National Centre for Language Training;
- establishing an Indigenous Tourism Business Ready Program to develop the management skills of individuals involved in Indigenous tourism;
- upgrading efforts to meet passenger safety and security requirements, and working towards more streamlined, efficient processing of international visitors;
- pursuing nationally consistent tourism signage;
- conducting a review of the Passenger Movement Charge;
- expanding benefits for tourists under a revised duty free allowances regime; and
- developing a new Intergovernmental Agreement to set out the roles and responsibilities of the various levels of government and areas for collaboration and cooperation on tourism matters.

State and Territory Government initiatives

A number of new State and Territory initiatives were announced in the past year:

- In February 2003, Tourism New South Wales signed a $1 million agreement with Visa International to help promote the state as a destination to Australians and the global market. The NSW Government also announced $0.4 million to promote regions affected by the 2002-03 bushfires. Tourism New South Wales utilised $5.5 million of the $15 million two year package announced in 2001-02 to provide assistance and support measures to aid the recovery of the tourism industry during 2002-03 (NSW Government 2003, Tourism New South Wales 2003a, 2003b).
- The Victorian Government announced in its May 2003 budget that it will provide $41 million over four years to promote Victoria as a tourist destination,

boost its profile as a host of major events and open up new tourism opportunities in regional areas (Brumby 2003a). In September 2003, the Government announced $1.6 million in marketing funding to boost the tourism industry across the state (Pandazopoulos 2003b). Earlier, in April 2003, the Government announced that tourism operators in Victoria's North East are eligible for advertising assistance as part of its $2 million bushfire recovery package (Pandazopoulos 2003a).

- In June 2003, the Queensland Government announced that Tourism Queensland would spend more than $35 million marketing the state in domestic and international markets in 2003-04 (Rose 2003).
- In its 2003-04 budget, the South Australian Government announced $4.2 million over four years for regional tourism infrastructure (Government of South Australia 2003).
- The Western Australian Government announced in its May budget that it would make the final payment of $74.4 million to the developer of the Perth Convention and Exhibition Centre in 2003-04 (scheduled to open in July 2004). It also announced an additional $1 million in 2003-04 for regional tourism and allocated $12 million to EventsCorp for the hosting of major events in Western Australia, including the Hopman Cup Tennis Tournament, the Perth International Golf Tournament, Rally Australia, the Rugby World Cup and the 2003 World BMX Championship (Government of Western Australia 2003).
- In May 2003, the Tasmanian Government announced the purchase of two Bass Strait ferries for $290 million to promote tourism in, and improve freight links with, Tasmania (Parliament of Tasmania 2003, p. 5).[6] The May budget also provided a further $1 million for Tourism Tasmania to implement the 'Tasmanian Experience Strategy'. Following the announcement in July of a new fast ferry service between Sydney and Devonport, the Tasmanian Government announced that it would provide Tourism Tasmania with an additional $3.2 million to market Tasmania in New South Wales, the Australian Capital Territory and southern Queensland (Bacon 2003).
- Building on initiatives announced in the May Budget, the Northern Territory Government announced a $27.5 million tourism package spread over three years in October 2003 to 'enhance destination development and to build on the Northern Territory Tourist Commission's intensive marketing campaign. The

[6] The Australian Government subsidises the cost of transporting passenger vehicles and freight between Tasmania and the mainland under the Bass Strait Passenger Vehicle Equalisation Scheme and the Tasmanian Freight Equalisation Scheme. These schemes cost $26.6 million and $77.1 million, respectively, in 2002-03, and are expected to cost $30.8 million and $80.1 million, respectively, in 2003-04 (Anderson 2003a).

package has a major focus on growing regional tourism and support for Indigenous, cultural and nature based tourism' (Burns 2003b). In August 2003, the Chief Minister announced a $100 million revitalisation of the Darwin waterfront with a new convention and exhibition centre as its foundation project (Martin 2003b). The Government also announced a further $1.4 million in its May budget to facilitate Virgin Blue air services to the Territory (Burns 2003a) and a further $13.5 million for the Alice Springs to Darwin railway (Martin 2003a).

- The ACT Government announced in its 2003-04 budget that it would redirect the $4 million that had previously been allocated to the V8 Supercar race to the Canberra Tourism and Events Corporation to 'adopt a targeted approach to both the international and domestic markets, focussing on research, product and industry development, marketing, logistics and community programs'. It also announced its intention to provide $40 million in 2004-05 for the planning or construction of a new or upgraded convention centre. In addition, the Government allocated an extra $696 000 to the Canberra Convention Bureau to 'attract more conventions and exhibitions' (Quinlan 2003a).

3.4 Ethanol

Ethanol is an alcohol-based fuel that is produced primarily from the fermentation of sugars derived from grains or sugar cane. In Australia, ethanol is produced mainly as a by-product of existing activities, such as grain production. Domestic production of ethanol is currently 135 million litres per year, of which around 50 million litres is blended with petrol for use in motor vehicles (DPL 2003).

In recent years, a series of initiatives have been announced to increase the production of ethanol (and other biofuels) in Australia.

Assistance for ethanol production dates back to 1980 when imports were declared duty free and 'experimental' licensing arrangements were put in place to encourage research into its use as a fuel. Ethanol also attracts a zero-rating for fuel excise.

In 1994, further assistance was introduced for ethanol production in the form of a bounty, although this was discontinued in 1996, following a government report which found that it was ineffective in achieving its objective '… to assist in the development of a competitive, robust and ecologically sustainable fuel ethanol industry' (DPIE 1996).

In April 2001, two ethanol-based projects in Queensland received assistance under the Australian Government's Greenhouse Gas Abatement program. BP received $8.8 million to replace petrol production with an petrol-ethanol blend at its Bulwer

Island refinery, and the Mossman sugar mill received $7.4 million for an ethanol production facility.

In October 2001, the Australian Bureau of Agricultural and Resource Economics (ABARE 2001) released a report (commissioned by the Australian Government in September 2000) on the viability of sugar cane based fuel ethanol. Among other things, the report found that the fuel excise exemption for ethanol (see above) provides a very high rate of subsidy on ethanol production relative to petrol — 35–54 per cent of ethanol production costs (although slightly less in Queensland due to that State's fuel rebate). The report found that the commercial viability of existing and new ethanol production is dependent on the continuation of significant levels of government assistance.

In March 2002, the Fuel Tax Inquiry (commissioned by the Australian Government in July 2001) released its report on tax arrangements for fuel in Australia. The report recommended, among other things, that tax should apply to all liquid fuels, irrespective of their derivation. The report stated:

> … the use of fuel taxation concessions to encourage the production and use of alternative fuels has significant resource allocation effects that can no longer be justified (Fuel Tax Inquiry 2002, p. 42).

In its response in May 2002, the Government did not accept this recommendation. The Treasurer stated:

> The proposal to tax all fuels based on their relative energy content would impose tax on previously unexcised fuels such as ethanol and LPG. This would have implications for the LPG retail fuel industry and LPG conversion businesses, and is also contrary to the Government's election commitment to maintain excise exemptions for fuel ethanol and biodiesel (Costello 2002).[7]

In addition, the Australian Government commissioned a $5 million study to address market barriers to the increased use of biofuels in transport. Part of the study involved vehicle testing and a technical assessment of the effects of 20 per cent ethanol-blended fuel in motor vehicles (Kemp and Truss 2002).

In September 2002, following representations from ethanol producers, the Australian Government introduced a production subsidy for ethanol produced domestically. At the same time, regulations were developed to extend the excise on petrol (of 38.142 cents per litre) to both domestically-produced and imported ethanol. The subsidy fully offsets the excise on domestic ethanol production. These arrangements are similar in effect to a tariff on imported ethanol. These

7 Prior to the 2001 election, the Australian Government stated an intention to increase biofuel production in Australia to 350 million litres per annum by 2010.

arrangements were introduced ahead of the intended importation of a shipment of ethanol from Brazil, and the production subsidy was initially scheduled to run for 12 months. By September 2003, the total subsidy payments amounted to $25 million, comprising around $24 million to the Manildra Group and $0.89 million to CSR Distilleries (Macfarlane 2003b).

In March 2003, the Australian Government appointed a trade facilitator to assist the domestic ethanol fuel industry to broker agreements with potential buyers of ethanol for transport use (Minchin 2003).

In April 2003, the Australian Government announced it would set a 10 per cent limit on the amount of ethanol that can be added to petrol and also introduce mandatory labelling of ethanol levels in petrol under the *Fuel Quality Standards Act 2000* (Kemp 2003a). This followed the release of preliminary vehicle testing results that found that petrol blends containing 20 per cent or more ethanol may cause engine problems. The 10 per cent limit came into effect on 1 July 2003. The Government said:

> While 10% ethanol blends are widely supported and considered 'safe', there are conflicting claims about the safety and reliability of ethanol/petrol blends above 10%. To resolve these conflicting claims, the Government is funding an extensive testing program to determine the impact of 20% ethanol blends on small engines and motor vehicles. The preliminary testing results show that 20% ethanol could cause deterioration of metal, plastic and rubber components (Kemp 2003b).

In May 2003, the Australian Government announced as part of a package of fuel tax reforms that it would extend the existing production subsidy and excise arrangements on ethanol to 30 June 2008.[8] The subsidy is estimated to rise from $27 million in 2003-04 to $62 million in 2006-07. Commencing in July 2008, the subsidy is to be reduced in five annual equal steps. The final excise rates are to be determined by the Australian Government in consultation with industry groups and other stakeholders, but are intended to be related to the energy content of fuels (Costello 2003).

In July 2003, the Australian Government announced further arrangements for the biofuels industry:

- It amended its ethanol assistance arrangements to allow producers to receive the production subsidy in advance of the payment of excise. The Government stated

[8] Similar assistance arrangements apply to the domestic production of biodiesel, except that the subsidy (the rebate of excise) also extends to importers of biodiesel. Biodiesel is an ester (similar to vinegar) that can be made from several different types of oils, including soybean, canola, recovered vegetable oils and animal fats. Ethanol and biodiesel are the two most commonly produced biofuels in Australia. The subsidy for both domestically produced and imported biodiesel is estimated to rise from $15 million in 2003-04 to $99 million in 2006-07.

that this was ‘an adjustment measure to assist in the transition to the recently introduced E10 fuel standard’. The new arrangement is to cease on 31 December 2003 or when the subsidy provided reaches a $10 million cap (Hockey 2003h).

- It also announced project-specific assistance for biofuel production in the form of capital subsidies. $37 million will be made available for projects that provide new or expanded biofuels capacity, including ethanol. The subsidy will be paid at a rate of 16 cents per litre for projects producing a minimum of 5 million litres of biofuel, with the maximum grant limited to $10 million per project. To be eligible, applicants must demonstrate that the projects will be viable after the phase out of the current production subsidy in 2013 (see above) (Hockey 2003i).

The Australian Government also announced a further study of its 350 million litre target for biofuel supply by 2010 ‘in light of the latest evidence on the environmental and other benefits of replacing fossil fuels with biofuels’. The study is being conducted by CSIRO together with the Bureau of Transport and Regional Economics and ABARE (Hockey 2003i). The study is yet to be released.

In December 2003, the Prime Minister announced additional fuel tax reform measures, including excise rates on fuel that are to be phased in from 2008 to 2012 (Howard 2003d). As noted above, in May 2003, the Australian Government proposed moving towards setting fuel excise tax rates based on energy content. Of the decisions announced in December 2003, ethanol and other alternatives fuels will attract an excise which is 50 per cent lower on an energy content basis than that for petrol and diesel (see table 3.2). The excise rates on alternative fuels were set having regard to a range of industry, regional and other factors’ (Howard 2003d). Arrangements applying to fuel products other than ethanol include:

- gaseous fuels (such as LPG) will be excise free for domestic uses (such as, heating and cooking) and business uses in non-transport production (for example, power generation); and
- from 2008, a $1000 subsidy will be available to consumers who buy a new LPG vehicle, to provide ‘assistance for the LPG sector to assist its transition into the excise net’ (Howard 2003d).

Table 3.2 **Announced excise rates for fuel products**
cents per litre

Excise rates	*Petrol & diesel*	*Bio-diesel*	*Ethanol, LPG[a] & LNG[b]*	*Methanol*
2003-08	38.143	0	0	0
2008[c]	38.143	3.8	2.5	1.7
2012	38.143	19.1	12.5	8.5

[a] liquefied petroleum gas. [b] liquid natural gas [c] First of five increases in the excise rate for alternative fuels.
Source: Howard 2003d.

3.5 Pharmaceuticals

Most prescription medicines sold in Australia are listed on the schedule of the Pharmaceutical Benefits Scheme (PBS), which provides substantial subsidies to users of pharmaceuticals. The government's ability to grant or withhold listing provides it with strong countervailing buyer bargaining power, which has allowed it to keep Australian drug prices lower than those in most developed countries. While this has helped to limit the budgetary costs associated with the subsidised provision of pharmacueticals, the pharmaceutical manufacturing industry perceives that the low prices received under the PBS are a deterrent to production activity in Australia.

The Pharmaceutical Industry Investment Program (PIIP) is the most recent of several Commonwealth industry assistance measures aimed at offsetting the perceived influences of the PBS on domestic pharmaceutical activity. The PIIP, introduced in 1999 to replace the Factor f scheme, is due to expire in 2004.

In August 2002, the Government requested the Commission to review the PIIP. The terms of reference required the review to assess whether the program:

- has a credible rationale;
- is effective in achieving its objectives of increasing value added and R&D activity, and assisting the development of a pharmaceutical industry in Australia;
- generates overall benefits for Australians (the efficiency test); and
- should be continued or modified.

In its report released in February 2003 (PC 2003a), the Commission found that although the PIIP has been effective in stimulating R&D and, to a lesser extent, value added in pharmaceuticals production, the program is unlikely to make Australia better off overall. Its major rationale — to help counter the effects of low PBS prices on pharmaceutical activity — is, by itself, insufficiently strong to justify a tax-funded program, with the costs that this entails. Among other things the Commission noted that it is difficult to target the program to avoid significant transfers of public funds to foreign-owned pharmaceutical companies.

Nevertheless, the Commission considered that the industry faces some policy impediments — particularly the inability of many pharmaceutical firms to access the R&D Tax Concession, as well as the persistence of some PBS-related effects — which provide grounds for policy action. The Commission proposed a replacement program — re-oriented to R&D only — to target the prospects of high 'additionality'[9] and spillover benefits that are most likely to generate net benefits for Australia.

9 The additional R&D that would not otherwise take place in the absence of government subsidy.

In May 2003, the Government announced a new program for the pharmaceutical industry — the Pharmaceuticals Partnerships Program (P^3) — aimed at supporting pharmaceutical R&D activity. P^3 will provide funding of $150 million over five years from 1 July 2004 to 30 June 2009 (Australian Government 2003a).

Eligible pharmaceutical companies will include biotechnology, originator and generic medicine companies that have undertaken pharmaceutical R&D in Australia in the previous three years. The program's eligibility will not be restricted to companies that sell products on the PBS: it will also cover those owning pharmaceutical intellectual property (AusIndustry 2003).

Assessment of applications for program funding will be undertaken by the Industry Research and Development Board based on a competitive process. The selection criteria include:

- the track record and capabilities of the applicant — for example, the availability of research facilities and personnel, an R&D plan and commercialisation strategies;
- the scope and nature of the applicant's partnerships, and linkages between the applicant and research and medical institutions/companies;
- the technical merit of the proposed activities — for example, the extent to which new activity is generated for the company in Australia;
- the level of benefit to the Australian economy — for example, the extent the R&D enhances industry's capabilities, uses Australian inputs (such as intellectual property) and 'improves health outcomes for Australians'; and
- the applicant's likely contribution to a sustainable, internationally competitive pharmaceuticals industry in Australia — for example, the extent to which the assistance contributes to a longer-term business or R&D hub in Australia.

The subsidy payments are to be made at a rate of 30 cents for each dollar on R&D that eligible companies spend above a base level — calculated as an average of their R&D expenditure of the previous three years. The grant will be taxable and capped at $10 million per company over the life of the scheme.

Eligible companies will not be precluded from also applying for the R&D Tax Concession (subject to its standard clawback provisions). However, State and Australian Government grants programs for R&D activities will be deducted from the P^3 payments. Funding from government assistance programs that provide equity injections, such as the Innovation Investment Fund, will not be deducted.

3.6 Textiles, clothing and footwear

Although assistance to the textiles, clothing & footwear (TCF) industries has declined significantly since the mid-1980s, the effective rate of assistance to TCF remains the highest among the manufacturing industries (see chapter 2). Under the current assistance package, which commenced in 2000 and runs until 2005:

- current TCF tariffs are to be maintained until 2005, when further reductions will occur — from 25 per cent to 17.5 per cent for apparel and certain finished textiles; from 15 per cent to 10 per cent for cotton sheeting and woven fabrics, carpets and footwear; and from 10 per cent to 7.5 per cent for sleeping bags, table linen, tea towels and footwear parts; and
- the TCF Strategic Investment Program (SIP) is to provide $700 million of transitional budgetary assistance to 2005.

The Commission's review

In November 2002, the Australian Government referred TCF assistance arrangements to the Commission for a public inquiry. The terms of reference required the Commission to bear in mind the Government's objectives of encouraging the TCF sector to adjust into activities where it will be internationally competitive with lower levels of assistance, and to improve the overall performance of the economy.

In its report finalised in July 2003 (PC 2003c), the Commission found that major structural change has occurred in the Australian TCF industries, mainly in response to global competitive pressures affecting producers in all developed countries. It noted that more adjustment and job losses are inevitable, regardless of future assistance arrangements. Even so, some Australian TCF producers are internationally competitive and others have the capacity to become so, particularly if industry and workplace impediments can be addressed. Nevertheless, the Commission noted that large labour cost disadvantages remain in standardised clothing and footwear production and that workers displaced by change in the sector will need help.

Under the Commission's preferred option, all TCF tariffs would be maintained at the new legislated 2005 levels until 2010, and most then be reduced to 5 per cent. Higher tariffs on clothing and certain finished textiles would not be reduced to 5 per cent until 2015. To facilitate industry adjustment, the Commission also proposed that the SIP be modified and extended for a further eight years from 2005, but with funding levels reducing over time.

The Government's response

In its response in November 2003 (Australian Government 2003d, Macfarlane 2003c), the Australian Government agreed with the Commission's key policy proposals, including the preferred tariff option for scheduling reform. In relation to post 2005 assistance arrangements, the Government announced that:

- TCF tariffs at 2005 levels will be maintained to 2010. At that time, the 10 per cent tariff for cotton sheeting, woven fabrics, carpet and footwear, and the 7.5 per cent tariff for sleeping bags, linen and footwear parts will be reduced to 5 per cent. The 17.5 per cent tariffs on clothing and certain finished textiles will be reduced to 10 per cent in 2010 and paused until 2015 when they will be reduced to 5 per cent.
- The post-2005 assistance package will provide transitional budgetary support worth $747 million (see below) to help the sector adjust to tariff reform, with additional support for those parts facing the largest change.
- The post-2005 assistance package will be the last tranche of sector-specific assistance to be made available to the TCF sector. There will be no further reviews of the TCF sector and sector-specific assistance will cease after that provided under the post-2005 package. Tariff changes will be incorporated into legislation and new assistance will be contingent on the passing of these changes into law.

In relation to other policy issues affecting TCF industries, the Australian Government decided:

- (in principle) to remove the 3 per cent revenue duty imposed under the Tariff Concession System as soon as possible having regard to its fiscal position;
- to pursue reductions in market barriers under bilateral, WTO and APEC processes;
- to ensure that the most efficient regulatory system is in place for industrial chemicals in its response to the recommendations of the Chemicals and Plastics Action Agenda.

The $747 million of transitional budgetary assistance package, to accompany the post-2005 tariff changes, is to be delivered through the following programs:

- the TCF Strategic Investment Program (SIP) will be modified with:
  - $500 million to extend the program from 2005 to 2010 — the simplified scheme will provide an 80 per cent innovation subsidy and a 40 per cent capital investment subsidy;

- $100 million will be made available for clothing and finished textiles firms only from 2010 to 2015;
- a $25 million grant program will be developed for TCF small businesses, to run for ten years;

- a $50 million structural adjustment program will operate for ten years to assist displaced TCF workers;
- a $50 million import credits scheme will operate for ten years to assist TCF innovation, technology adoption and export expansion;
- a $20 million supply chain program will run from 2010 to 2015 to support companies that are not already receiving assistance through SIP; and
- $27 million of assistance, in the form of duty revenue forgone, will be provided to extend the Expanded Overseas Assembly Provisions scheme to 2010.

3.7 Medical indemnity arrangements

Medical indemnity cover in Australia is provided by medical defence organisations, which are mutual associations of medical practitioners. Seven such organisations operate in Australia. The largest entity, United Medical Protection (UMP), covers 60 per cent of the medical profession.

In April 2002, UMP filed for provisional liquidation, following reported financial difficulties despite substantial increases in indemnity premiums for medical practitioners. Over the course of a series of negotiations with representatives of the medical profession, the Australian Government (Abbott 2003a) introduced several financial measures to assist medical practitioners and their defence organisations:

- *UMP guarantee*. In April 2002, the Australian Government announced a guarantee to assist medical practitioners and UMP. The guarantee is to pay UMP and/or its insolvency representative to provide the same type of insurance cover as UMP originally offered before the company was put into provisional liquidation. Although initially scheduled to run until June 2002, the guarantee was extended to until 31 December 2003 to allow the provisional liquidator time to restructure the UMP business.
- *Medical Indemnity (Premium) Subsidy Scheme*. This scheme subsidises the costs of premiums for medical practitioners undertaking high risk procedures — namely, obstetricians, neurosurgeons and procedural GPs. The subsidy commenced in January 2003 and will be subject to ongoing review in the light of reforms, availability of other financial assistance and the costs of medical insurance.

- *High Cost Claims Scheme*. This subsidy reimburses medical indemnity insurers for 50 per cent of the cost of insurance payouts, for claims between $500,000 and $20 million.
- *Exceptional Claims Scheme*. This scheme, previously called the *'Blue Sky' Scheme*, provides protection for doctors against personal liability for claims that exceed their own level of insurance and the High Cost Claims Scheme threshold.
- *IBNR Scheme*. The scheme is a response to the problem that some medical defence organisations have not made provision for liabilities arising from incurred-but-not-reported (IBNR) claims. Under this arrangement, the Australian Government has taken over responsibility for IBNR liabilities. The scheme covers only UMP at this stage, because other medical insurers have taken steps to manage their unfunded IBNR claims. When announced, the cost of the scheme was to be met by a levy on doctors. However, in October 2003, an eighteen month moratorium was announced for levy payments above $1000.

In commenting on the assistance provided, in October 2003 the Government stated:

> The Medical Defence Organisation UMP was run in ways that excluded scrutiny from the regulator and premiums were set at such a low level that insufficient thought had been given to how liabilities would be met in the future.
>
> The Government was asked to rescue the doctors' Medical Defence Organisation UMP rather than let it go into liquidation leaving doctors personally liable and the injured facing the prospect of not getting any compensation.
>
> The taxpayer has underpinned the rescue package through the Government's assumption of responsibility for the $460 million in UMP's unfunded liabilities and through $353 million of subsidies and exemptions for doctors (Coonan 2003).

In addition, the Australian Government indicated that it will pursue reforms to the medical indemnity insurance system. Measures are to include a quality and safety improvement program to help doctors reduce adverse events, and efforts to achieve nationally-consistent tort law reform and to ensure that the benefits are passed on the medical practitioners and the wider community.

Also in October 2003, a review panel was established to report on the medical indemnity insurance system. The Government received an undertaking from medical representatives that there would be no further claims for financial assistance during the course of the review (Abbot 2003b).

In November 2003, the NSW Supreme Court decided to terminate the provisional liquidation status of UMP. The Court noted that it was persuaded in its decision by the prudential supervision measures taken by the Australian Prudential Regulation Authority (APRA), regulatory measures taken by the Australian Securities and Investments Commission and the support of the Australian Government. In particular, the Minister for Health and Aging had provided written assurance to the Court that the present Medical Indemnity Policy Review Panel will not affect the indemnity assistance provided to UMP (Abbott, cited in NSW Supreme Court 2003).

In December 2003, the report of the Medical Indemnity Policy Review Panel (2003) was released. The report found that recent prudential measures have put medical indemnity insurers on a sound commercial footing. Noting that recent resignations of doctors from public hospitals in NSW and Queensland were a major factor that had prompted the review, the report stated:

> The recommendations of this Report are designed to ensure that doctors have no reasonable justification for letting their resignations take effect (p. 1).

In its response, the Australian Government has largely adopted the recommendations of the review to provide additional assistance to medical practitioners and their insurers. The new measures are estimated to cost $180 million over four years, in addition to existing government commitments of $438 million over the same period (Abbot and Coonan 2003). The Australian Government stated:

> The Government considers that this is fair to doctors, patients and taxpayers and believes that, on this occasion, doctors have no reason to proceed with the resignations submitted in September and October (Abbot and Coonan 2003).

The new arrangements underwrite medical indemnity costs by a significant margin (from $85 000 down to $43 000 for a typical NSW surgeon). Among other things, they include:

- $100 million for the *Medical Indemnity (Premium) Subsidy Scheme.* The subsidy is payable for 80 per cent of medical indemnity costs when those costs exceed 7.5 per cent of doctors' incomes. Payment is provided through medical insurers.
- $41 million for the *High Cost Claims Scheme*. The subsidy will pay for high cost claims at the new *lower* threshold of $300 000 (previously $500 000). The subsidy rate is unchanged at 50 per cent of claims costs.
- $13 million to fund premiums paid by procedural practitioners in rural areas.
- *IBNR Scheme*. The present UMP IBNR liability stands at $483 million, of which the Government contribution amounts to $231 million. Under the new arrangements:
  - the Australian Government will contribute towards half of the remaining liability ($120 million) that doctors are expected to pay;

– the rest of the IBNR liability is to be paid by doctors through the Premium Subsidy and the Run-off Reinsurance Vehicle (also underwritten by the Government, see below).

– doctors' contributions to IBNR liabilities are to be treated as standard medical insurance premiums that will attract assistance through the Premium Subsidy scheme; and

– the 18-months moratorium on levy payments will continue.

- *Run-off Reinsurance Vehicle (RRV).* At present, doctors who cease practising must purchase 'run-off' cover against future claims of past alleged negligence. A new RRV organisation is to provide run-off cover at no cost to doctors when they cease practising. The RRV operates via complex arrangements. It is to receive a government guarantee, so that it will not have to meet APRA's capital adequacy measures. The run-off cover is financed by a charge on medical insurers, which in turn is funded by premiums on currently-practicing doctors. (These premiums are also eligible for the Premium Subsidy scheme.)

The Australian Government also announced that it will initiate, within 18 months, a review of the arrangements' effectiveness as well as the progress of tort law reforms and the feasibility of setting up a monopoly medical insurer owned by doctors.

3.8 Investment attraction and project-specific assistance

As well as providing broad-based assistance for industries and activities, Australian governments also assist specific projects or specific firms. At the Australian Government level, the Strategic Investment Incentives Program (SIIP) provides an administrative umbrella and guidelines under which such assistance is distributed[10], often with the aim of attracting foreign multinationals to Australia. State governments also provide firm- and project-specific assistance, often in competition against other State governments to attract a target firm to invest or locate in their particular State.

The Commission has examined issues surrounding the provision of firm- and project-specific assistance in several inquiries, including *State and Local Government Assistance to Industry* (IC 1996) and *Telecommunications Equipment,*

[10] Funding for investment incentives comes from a 'notional' allocation in the contingent reserve of the budget, rather than from the annual budget appropriation process that normally applies to other industry assistance programs. In June 2003, the Australian Government announced that, in the future, it will move to the budget appropriation reporting standard for the investment incentives when it grants assistance to particular projects (Senate Economics Legislation Committee 2003b).

Systems and Services (IC 1998). It has also commented on some aspects of this assistance in the last four years' *Trade & Assistance Review* (PC 1999, 2000b, 2001b, 2002b).

In this section, the Commission reports on selected developments in investment attraction and firm-specific assistance over the last year.

Methanol and gas-to-liquids projects

As noted in last year's *Review*, a number of investment incentives offered by the Australian Government target the development of gas-to-liquid (GTL) processing projects, such as those producing methanol products, located on the Burrup Peninsula in Western Australia. The incentives and offers of assistance to date include:

- a $70 million package for a Syntroleum GTL sweetwater plant;
- offers of assistance for a Methanex methanol plant; and
- a more recent offer of $35 million for a GTL Resources methanol plant.

In addition, the Western Government has offered more than $130 million in infrastructure funding to the Burrup Peninsula to assist the development of several projects, including the above gas processing plants (Brown 2003a).

However, some of these developments have not proceeded.

Syntroleum began developing its sweetwater project in early 2000. The Australian Government's investment incentive offer comprised a payment of $30 million to acquire the GTL technology and an interest-free loan of $40 million. In October 2002, the company announced that it will not proceed with the construction of the project, noting significant increases in capital costs. The Australian Government has paid $15 million to Syntroleum in return for the Government ownership of the GTL technology licence. The GTL technology can be transferred to another party, subject to the consent of Syntroleum. The company cannot claim the remaining $55 million in investment incentives unless the sweetwater project recommences by 31 August 2004 (Senate Economics Legislation Committee 2003a).

In the case of Methanex's methanol plant, the Australian Government initially offered $110 million of assistance for the project at the time when the company planned to locate the plant in Darwin. In 2002, the company decided to switch to the Western Australian location. The Australian Government then offered $85 million to Methanex. However, Methanex subsequently revised the scale of the project and later, in September 2003, announced its decision to cancel the proposed Burrup methanol plant, because of rising capital costs (Brown 2003b).

In October 2003, the Australian Government announced an investment incentive of $35 million to GTL Resources for its proposed project — a $700 million methanol plant to be located in the Burrup Peninsula (MacFarlane 2003a). The incentive comprises infrastructure funding for the development of the project, including a seawater supply pipeline, a desalination plant, electricity connection and a contribution towards port services. The Australian Government stated that the infrastructure facilities may also attract other projects to the Burrup Peninsula, noting that several companies are currently considering locating major gas processing projects in this region.

Magnesium

In *Trade & Assistance Review 2000-01* (PC 2001b), the Commission reported on a series of assistance measures provided by the Australian and Queensland Governments to Australian Magnesium Corporation's (AMC) Stanwell magnesium smelter in Queensland. Since 2000, the assistance measures have comprised a combination of infrastructure provision, research funding and equity-raising measures.[11]

In June 2003 AMC — which had earlier experienced difficulties in raising sufficient finance to proceed with the project — announced its decision to terminate the Stanwell project and restructure the company, reporting substantial increases in project costs.

The cancellation of the Stanwell project has implications for the assistance package that the Australian Government provided to AMC:

- As part of the package, the Australian Government, through the CSIRO, provided $50 million to an AMC subsidiary to conduct research on the magnesium smelting process to be used by the Stanwell smelter. The grant was to be paid back by AMC in the form of royalties to the CSIRO upon commencement of commercial production. The research funding has been

[11] The Australian and Queensland Governments have a long history of involvement in assistance to the Australian Magnesium Corporation (AMC — previously the Queensland Metals Corporation). In the early 1990s, these Governments provided $25 million to a consortium including the Queensland Metals Corporation and CSIRO. The consortium was to attract funds to develop the Kunwarra magnesite deposit in central Queensland. The Commonwealth funding formed part of the then Light Metals Industry Development Strategy. In July 1990, the Queensland Investment Corporation commenced investment in AMC and, as at 30 April 2003, held over 22 million shares in the company (Mackenroth 2003).

expended. In its latest annual report, AMC stated that due to the termination of the Stanwell project, this 'liability is not currently able to be reliably measured' (AMC 2003, p. 34).

- The Australian Government also guaranteed a $100 million loan to AMC. The loan remains in place and, as at October 2003, the loan balance stood at $82 million.

There were also implications for the assistance package provided by the Queensland Government:

- The package included a $70 million cost overrun facility to address the contingency of actual construction costs exceeding the budgeted costs. This facility was not drawn on and has now been terminated.
- The Queensland Government also offered to provide a $50 million infrastructure supply facility at the Stanwell Industrial Estate. The infrastructure was to include a $9 million railway siding and a pipeline to transport gas from PNG. This assistance has not been drawn on and has since been cancelled.
- The Queensland Government also provided a $100 million loan facility. The loan is a guaranteed dividend payment (the Distribution Entitled Security) to shareholders who took up investments in the Stanwell project. At July 2003, $32 million had been paid, with further distributions due in 2003 and 2004.

In June 2003, the Australian and Queensland Governments entered into a new agreement with AMC. The Queensland Government said:

> [this] will allow AMC a further opportunity to test the feasibility of the replacement magnesium product project. Of course, should AMC's efforts in this regard not be successful, the two governments can require AMC to repay the balance of monies to them (Beattie 2003).

Stuart oil shale project

Last year's *Review* (PC 2002b) reported on Australian Government assistance for the Stuart oil shale project in Gladstone.

Since 1991, the Stuart project had been eligible for an excise exemption. In recent years, due to its environmental effects, the project has attracted considerable public attention. The construction of the first stage of the Stuart plant has been accompanied by local community complaints about noise pollution and odour emissions. Greenpeace has instigated a campaign targeting the effects of shale oil production on greenhouse gas emissions.

In May 2002, following a request from Southern Pacific Petroleum for financial assistance, the Australian Government announced a temporary assistance measure in the form of a grant of up to $36 million per year until 2005 for sales of naphtha that are unable to take advantage of the excise exemption. However, in July 2002, the company successfully secured a long-term domestic sales contract for naphtha. The Department of Industry, Tourism and Resources has noted that, as these purchases proceed, the assistance available under the grant will not be required (Australian Government 2003b).

In November 2003, Southern Pacific Petroleum announced that the company had been put into receivership. To date, the Australian Government has provided $7 million in R&D grants and $18 million in the form of excise exemption to the Stuart project (Australian Government 2003b).

State and Territory Governments agreement on investment attraction

For many years, State and Territory governments have provided an array of selective assistance to attract investment projects or firms to locate within their jurisdictions. Some States have established formal schemes, such as the Queensland Investment Incentive Scheme, the NSW Industry Assistance Fund and the ACT Business Incentive Scheme. Some States have also established dedicated agencies, such as Invest SA, to administer and attract investment projects and footloose firms, although mostly they are administered through the jurisdiction's industry or State development department.

As reported in last year's *Review*, in recent years a number of State-based Auditors-General and parliamentary committees have called for greater transparency in industry assistance and have recommended reforms to the administration, evaluation and monitoring of assistance programs. The Productivity Commission has also called for reforms, including an agreement between the States to limit inter-state bidding wars.

Following preliminary agreements between the NSW, Victorian and South Australian governments, in September 2003 six State Governments signed an interstate agreement to reduce cross-border bidding for investment and events, and to restrict the use of financial incentives to attract investment. The *Interstate Investment Co-operation Agreement* covers NSW, Victoria, South Australia, Western Australia, Tasmania and the ACT. The Queensland and Northern Territory governments declined to join the investment cooperation agreement (Brumby 2003b, Egan 2003, Quinlan 2003b, Foley 2003).

The Investment Agreement comprises three components.

- *Financial incentives* — state governments will cooperate (a) with a view to declining to offer any incentive in relation to footloose investment where there is no national benefit (such as relocation of business between states) and (b) to minimise incentives when it is clear that investment projects and major events are already committed to Australia.
- *International markets* — state governments will support joint measures to promote Australia as an investment destination. This will include the exchange of information, co-location of international offices and promotion of Australia in international markets.
- *Communication and coordination* — the agreement provides for annual reports on investment and event attraction activities to be provided to State Treasurers; nomination of day-to-day point of contact; and periodic review of co-operation.

The agreement will apply for three years from September 2003.

3.9 Anti-dumping arrangements

Dumping is said to occur when a foreign supplier exports goods at a price below the ‘normal value’ of the goods in the supplier’s home market. The price of the good in the exporter’s home market is generally used to determine the normal value, but in certain prescribed circumstances, alternatives such as the good’s price in another export market or a constructed price are sometimes used.

Under WTO rules, a country can apply anti-dumping measures on dumped imports if they cause, or threaten to cause, material injury to a competing domestic industry. The domestic chemical and plastics industries have been the largest users of anti-dumping actions in Australia in recent years (see appendix C).

Like other measures that raise the price of imports, anti-dumping measures assist particular industries, but can also impose higher costs on other domestic industries and consumers. For example, anti-dumping measures on imported chemicals from China assists local chemical producers, but raises costs for Australian farmers and other industries that use chemicals as inputs.

Australia’s current anti-dumping and countervailing system, which took effect in July 1998, was described in *Trade & Assistance Review 1997-98* (PC 1998). A national competition policy review of anti-dumping legislation was scheduled to be completed before June 2002, but this has been delayed.

Some legislative changes to the anti-dumping system have been introduced recently. Their background and details are reported below.

Economies-in-transition rules

In recent years, the Australian Government has introduced changes in anti-dumping provisions relating to 'economies-in-transition' — that is, those countries that previously had central planning characteristics and are moving towards a market-based economic system. China, Vietnam and Russia are examples of countries deemed to be transitional economies.

In 1999, the *Customs (Anti-Dumping) Amendments Act 1999* introduced special rules for determining the normal value of goods from transitional economies. Among other things, the changes provide a 'price control' test — that is, where the Australian Customs Services (ACS) considers that the domestic selling price of the exported goods is substantially controlled by the foreign government, then the 'normal value' would be determined by the Minister for Justice and Customs, rather than by reference to the price of sales in the country of export.

Different views have been expressed on the effects of the change. The Bill Digest on the 1999 Act indicated that the policy change was in response to industry pressure to apply some degree of differential treatment for transitional economies. More recently, the Law Institute of Victoria (2003) commented that:

> This is a very wide discretion and means that sales in the country of export are disregarded, which is contrary to normal 'Anti-Dumping' practice.

In December 2000, the Government issued guidelines to the Australian Customs Services on the criteria to determine whether a 'price control' situation exists (ACS 2000 and 2001). The guidelines stipulated that the onus fell upon an exporter to establish that a price control situation did *not* exist and that a failure to respond adequately to ACS's request for information meant that a price control situation was deemed to exist (and, thus, that the normal value of the goods would be determined by the Minister). Further, the guidelines indicated that a price control situation would exist if any of following criteria were *not* met.

- The pricing takes place according to market signals and without significant state interference.
- The producer/exporter has appropriate accounting records and auditing procedures.
- The producer/exporter's financial situation is not subject to any distortions carried over from the previous non-market economic system.
- The producer/exporter is subject to bankruptcy and property laws.

Some interested parties have questioned aspects of the guidelines. As the Law Institute of Victoria (2003) noted that:

> Questions were raised as to the legal basis of the Guidelines as they appeared to go beyond the types of 'directions' which the Minister is entitled to issue pursuant to the relevant provisions of the Customs Act. Questions were also raised as to the relevancy of some of the tests.

In December 2002, the *Customs Legislation Amendment Bill (No. 2) 2002* was introduced, proposing legislative changes to the anti-dumping provisions in relation to economies in transition, to:

- replace the 'price control' test with a 'price influence' test for economies in transition; and
- put the onus on exporters to provide the relevant information for the investigation of 'dumping' practices *within a time frame of 30 days*.

According to the Explanatory Memorandum accompanying the Bill, the new provisions are to remove the uncertainty in relation to whether a price control situation covers the indirect effects on domestic price of government intervention:

> It is unclear whether the current test of price control covers indirect government interference. The amendments recognise that something less than actual control may still result in significant distortion in the calculation of normal value. Therefore, the test of price control is being replaced with a test of price influence (Ellison 2002).

The effect of the new price influence provisions would be to apply a broader test than price control to apply anti-dumping actions to economies in transition. In addition, the price influence test would also apply where the ACS considers that the exporter does not provide adequate information for the anti-dumping investigation. In this case:

> … the presumption, in the absence of the necessary information, will be that the domestic selling price has been significantly affected by government (Ellison 2002).

The provision is intended to shift the onus of proof of dumping on to the exporters in transitional economies rather than local producers. If exporters cannot demonstrate that the government does not significantly affect prices, the Minister would be responsible for determining normal value. If, on the other hand, exporters can demonstrate that the government does not significantly influence prices, then the price paid on the domestic market would become the normal price.

The proposed economies-in-transition rules were a matter of concern for domestic user industries, exporters and foreign governments. In November 2003, the *Customs Legislation Amendment Act (No. 2) 2002* was passed in parliament with the following amendments:

- the ‘price influence’ test is replaced with a ‘market conditions do not prevail’ test, the interpretation of which will be set out in the regulations;
- The Minister is to determine the ‘normal value’ based only on the matters prescribed in the regulations; and
- the exporter can request for an extension of time beyond the 30 days deadline.

Other changes

The *Customs Legislation Amendment Act (No. 2) 2002* also introduced some other (relatively minor) changes to the anti-dumping assessment process, including the following:

- To be consistent with WTO rules, the Minister would need to consider only accumulated exports from several countries and not accumulated exports from one country in determining the effect of exports.
- For the continuation of anti-dumping measures, the ACS would be able to invite applications only from the original applicants or domestic industry producing like goods, and *exclude* importers. The Explanatory Memorandum accompanying the Bill stated that ‘importers are scarcely likely to seek the continuation of the duty’.
- The Chief Executive Officer of the ACS would be given increased power to reject an application for review of interim duty, if the CEO believes that the applicant/exporter has not provided sufficient information. The role of the Trade Measures Review Officer would be expanded to include review of the CEO’s decision in relation to the review of interim duties.

4 Recent developments in trade policy

In this chapter, the Commission documents selected developments in international trade policy involving Australia, namely:

- progress in the current round of World Trade Organisation negotiations; and
- Australia's involvement in preferential trading arrangements.

4.1 Multilateral trade negotiations

The WTO provides a stable, rules-based system for the conduct of international trade, and has provided significant benefits and legal protections for small to medium-sized trading nations such as Australia (PC 2000a). Successive rounds of trade negotiations within the WTO and its predecessor (the General Agreement on Trade and Tariffs — GATT) have facilitated substantial reductions in many trade barriers over more than 50 years, and underpinned strong expansion of international trade and growth in living standards.

However, barriers to trade remain, particularly in areas such as agriculture, textiles and clothing. With the growth in membership of the WTO (which now stands at 148 governments, most of which are from developing countries), achieving agreement on further liberalisation has become more complex.

In November 2001, a new round of WTO trade negotiations was launched at the Fourth WTO Ministerial Conference, held in Doha, Qatar. WTO member governments agreed to negotiations covering a broad range of issues with far-reaching implications for the development of world trade (box 4.1). The Commission commented on the scope of the negotiations mandated at the Doha Ministerial in *Trade & Assistance Review 2000-01* (PC 2001b), and discussed early progress with the negotiations in last year's *Review* (PC 2002b).

In September 2003, the Fifth WTO Ministerial Conference was held at Cancún, Mexico. The conference provided an opportunity to advance the Doha agenda.

Box 4.1 The key Doha outcomes

At the Fourth WTO Ministerial Conference in Doha in 2001, trade ministers from the WTO member governments agreed to launch a new round of multilateral trade negotiations. The Doha agreement indicated that negotiations were to be conducted over three years and were to cover the following.

- *Agriculture* — comprehensive negotiations with the aim to increase market access and reduce long standing export subsidies and domestic support.
- *Non-agricultural* goods — negotiations to increase market access through reductions in tariffs and increased disciplines on non-tariff barriers.
- *Services* — existing negotiations to continue to achieve the goals of the GATS.
- *Environment* — negotiations to look at the relationship between WTO rules and the Multilateral Environmental Agreements and to reduce trade barriers on environmental goods and services.
- *Intellectual property rights* — existing negotiations to establish a multilateral system for registration and notification of geographical indications for wines to be completed and the system extended to spirits.
- *Foreign investment, competition policy, government procurement* and *trade facilitation* — negotiations on these issues were to take place subject to agreement at the Fifth WTO Ministerial Conference in 2003.
- *Subsidies and countervailing measures* and the *dispute settlement understanding* — negotiations were to clarify and improve existing WTO rules.
- *Regional trading arrangements* — negotiations seeking to clarify and improve existing WTO disciplines on preferential trade.

In addition, the Doha conference had agreed several measures to assist developing countries, and had clarified contentious aspects of the TRIPS agreement (see PC 2001b).

Source: WTO 2001.

However, both during the lead-up and at the Cancún conference itself, disagreements emerged on the pace and scope of reform. For example, with respect to agricultural reform:

- the Cairns Group of agricultural exporting countries, including Australia, sought significant reductions in agricultural protection and support;
- some developing countries sought reductions in agricultural protection and other supports provided by developed nations whilst seeking to quarantine their own agricultural trade restrictions from reform; and

- the United States, the European Union and Japan indicated a reluctance, albeit to differing degrees, to contemplate reductions in agricultural support measures.

Similarly, on the four so-called ‘Singapore’ issues — investment rules, competition policy, transparency in government procurement and trade facilitation measures — the European Union, Japan and Korea wanted these issues on the negotiating table, but many Asian and African nations objected to their inclusion.

There were also differences over some other issues, including non-agricultural market access, geographical indications, and the reform of cotton subsidies.

Multilateral trade negotiations require compromises and trade-offs between the preferred positions of different countries to find a ‘consensus’ position that is acceptable to all parties. As the Cancún negotiations progressed, some governments showed some flexibility. For example, there was some preliminary agreement to go further with agricultural reforms and, towards the end of the conference, the EU accepted the abandonment of negotiations on two of the four Singapore issues — investment rules and competition policy — all of which had been opposed by many developing countries.

However, the Conference ended without reaching agreement on the Singapore issues, which in turn precluded final consideration of agriculture and other reforms. In commenting on this setback, the Director-General of the WTO, Supachai Panitchpakdi (2003), stated:

> In the end the ministers could not summon the necessary flexibility and political will to bridge the gaps that separated them. Sadly, those that will suffer the most for their inability to compromise are the poorest countries among us. A more open and equitable trading system would provide them with an important tool in alleviating poverty and raising their levels of economic development.

While the WTO members were unable to agree on further trade reforms at Cancún, a number of intergovernmental forums subsequently called on WTO members to restart serious negotiations on the Doha agenda. For example, at the APEC summit in Thailand in October 2003, APEC ministers strongly reaffirmed their commitment to ‘press for an ambitious and balanced outcome to the Doha Development Agenda, reiterating that the development dimension is at its core.’ However, following the Cancún meeting, there was disagreement on the path that further negotiations should take. More recently, at the WTO General Council meeting held in Geneva in mid December 2003, member countries have at least agreed to reactivate the Doha round negotiating groups, suspended at Cancún, in 2004.

4.2 Preferential trading agreements

In the past few years the Australian government has commenced negotiating preferential trading agreements (PTAs) with a number of countries. This follows the recent global fashion for PTAs as an instrument intended to encourage trade and integration between two or more countries. Since 1995, more than 100 agreements covering trade in goods or services, or both, have been notified to the WTO (WTO 2002b). However, unlike many earlier agreements which integrated several nations, most of these have been bilateral agreements.

Until this year, Australia's only bilateral trade agreement has been the Australia-New Zealand 'Closer Economic Relations' Agreement, established in 1983. During the past year, the Australian Government has concluded new PTAs with Singapore and Thailand, commenced negotiations on a PTA with the US, and agreed to undertake joint feasibility studies into PTAs with Japan and China.

The Commission commented on issues in assessing the merits of Australia entering into PTAs in a public submission to the Department of Foreign Affairs and Trade in 2001 (PC 2001a). As noted at that time, preferential reductions of tariffs among PTA members may have beneficial or adverse effects for members and for third parties, and the net effect of any PTA may be positive or negative. Recent work by Commission staff (Adams et al. 2003), which measured changes in trade and investment flows following the establishment of past PTAs, suggests that many may have diverted more trade than they have created, although it also found some evidence that some non-trade provisions could enhance international investment flows, particularly if the provisions are non-preferential in nature. More work is required to understand fully the impact of PTAs and supporting regulations (such as rules of origin). Nevertheless, the results of this and other studies highlight the desirability of careful assessments of the details of particular PTAs.

The Singapore-Australia Free Trade Agreement

In November 2002, Australia and Singapore announced that they had finalised negotiations for a PTA. The Singapore-Australia Free Trade Agreement (SAFTA) became operational in July 2003 (Vaile and Yeo 2003), and includes initiatives across many sectors.

SAFTA entails the elimination of all tariffs on goods and agreement not to use export subsidies or 'safeguard measures', such as anti-dumping duties, against the other party. For most goods, the 50 percent 'regional value content' rule of origin will apply as under the Australia-New Zealand Closer Economic Relations

Agreement.[1] The agreement also addresses technical regulations and quarantine measures.

On services, SAFTA requires that, listed exemptions apart, both countries treat each other's service suppliers on the same terms as their own businesses, and remove quantitative and other market access restrictions on service suppliers. SAFTA also includes specific liberalisation commitments on financial, legal and other professional services, education, environmental services and telecommunications.

Investors in both countries are to receive treatment no less favourable than that available to local investors, except in areas specifically exempted by either country. Australian investors will benefit from greater transparency in investment restrictions by Singapore's government-linked companies. Australia is not required to make any changes to its foreign investment screening processes or to its current controls on foreign ownership.

Other matters addressed in the agreement include customs procedures, government procurement, competition policy, intellectual property rights, electronic commerce and restrictions on business travel between the two countries.

The Australia-Thailand Free Trade Agreement

In October 2003, the Prime Ministers of Australia and Thailand announced the conclusion of an Australia-Thailand Free Trade Agreement (Howard 2003b, Vaile 2003a). The agreement is expected to be signed in the first half of 2004 and will enter into force after legal and parliamentary processes have been completed in both countries. It includes initiatives across many sectors.

On goods, Australia and Thailand are to eliminate virtually all tariffs on goods imported from the other country by 1 January 2010. Australia is to eliminate 83 per cent of its tariffs on imports of Thai origin upon the agreement entering into force, and to phase down 13 per cent of its tariffs to zero by 1 January 2010 and the

1 'Rules of origin' are the criteria used to define where a product has been made for the purposes of ensuring that only the products of countries which are party to a PTA obtain the benefits of the agreement. The Australian Government has asked the Commission to undertake a research study to examine Australia's rules of origin arrangements under the Australia–New Zealand Closer Economic Relations Trade Agreement (CER). The request stems from concerns that Australian and New Zealand firms in some circumstances are having difficulty achieving the minimum content threshold set down under the CER. The Commission released an interim research report in December 2003 (PC 2003d), in which it found that the CER rules had not kept pace with changes in technology and business practices. Its preliminary recommendations included relatively minor changes to reduce operational problems and more substantial changes to liberalise the current rules.

remainder by 1 January 2015. Thailand is to immediately eliminate 49.4 per cent of its tariffs on imports of Australian origin, and to phase down 43.7 per cent of its tariffs to zero by 1 January 2010 and the remainder over the period 2015 and 2020.

Thailand is to expand access for Australian imports under tariff-rate quotas (TRQ) over a transition period that varies according to the product, with the eventual elimination of all TRQ restrictions.

The agreement prohibits the use of export subsidies in trade between both countries.

On services, the agreement seeks to strengthen trade in a range of services by treating each other's service suppliers on the same terms as their own businesses and by progressively liberalising the barriers that prevent businesses from entering those markets. Australia is to give legally-binding commitments regarding access to, among other sectors, a range of professional and business services; banking and finance; and telecommunications. In return, Thailand is to liberalise parts of sectors, including: business services; construction and communication services; tertiary education services; and hotel, restaurant and recreational services.

On investment, investors in both countries are to enjoy treatment no less favourable as that available to local investors or nationals of any other country. Australian investors will be able to transfer funds out of Thailand at any time and have the right to seek an impartial resolution of any disputes arising with the Thai government over their investments. Both countries are to improve the transparency and certainty of their investment regimes. Thailand is to permit majority Australian ownership in range of sectors and sub-sectors, including mining. In return, Australia is to legally bind its current foreign investment policy settings in manufacturing and mining.

Other matters addressed in the agreement include customs procedures, government procurement, competition policy, intellectual property rights, electronic commerce and restrictions on business travel between the two countries.

Other bilateral negotiations

Japan — Following negotiations which commenced in May 2002, in July 2003 the Australian and Japanese Prime Ministers signed the Australia-Japan Trade and Economic Framework. The Framework includes several initiatives aimed at improving commercial and policy linkages, covering matters such as food, energy trade, ICT, competition policy and securities markets regulation. It also includes a commitment to undertake a joint feasibility study into a possible PTA between Australia and Japan.

China – Following negotiations which commenced in May 2002, in October 2003 the Australian Trade Minister and Chinese Vice Minister for Commerce signed the Australia-China Trade and Economic Framework (Vaile 2003b). Among other things, the Framework covers cooperative activities in sectors such as energy and minerals, agriculture, services and investment, and refers to other bilateral issues including education, health, food safety, customs cooperation and intellectual property rights. It also includes a commitment to undertake a joint feasibility study into a possible PTA between Australia and China.

United States — In November 2002, the United States and Australian governments announced that they would begin negotiations for the formation of a PTA. This followed the passing of a trade promotion authority law ('fast track') in the United States in August 2002.[2] Negotiations between Australia and the United States began early in 2003, and are scheduled to be concluded in early 2004.

2 The law allows the United States president (or his representatives) to negotiate bilateral agreements with foreign countries, which can then either be passed or rejected by the United States Congress, but not amended.

A Estimates of Australian Government budgetary assistance

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

Last year, the Commission provided further detail by disaggregating its estimates for primary production sector into 10 industry groupings. Thus, the Commission now reports estimates for 37 industry groupings (plus 4 *unallocated* groupings). The *Methodological Annex* accompanying last year's *Review* (PC 2002c) outlines the methodology used to disaggregate assistance to primary production into its component industry groupings.

For this year's *Review*, estimates according to the 37 industry grouping classification structure have been made for the years from 2000-01 to 2003-04.

An overview of the Australian Government's budgetary assistance in 2002-03 is provided in chapter 2. As noted there, its budgetary assistance amounted to $4 billion in 2002-03.

The tables in this appendix provide more detail about budgetary assistance to each industry grouping, for the years from 2000-01 to 2003-04, including;

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

Table A.1 Australian Government budgetary assistance to primary production, 2000-01 to 2003-04

$ million

	Type[a]	*00-01*	*01-02*	*02-03*[b]	*03-04*[b]
Horticulture and fruit growing					
Industry-specific measures					
Citrus Industry Market Diversification Subsidy	DFA	0.2	0.7	-	-
Tax deduction for horticultural plantations	TE	5.0	6.0	7.0	7.0
Tax deduction for grape vines	TE	7.0	10.0	12.0	15.0
Sector-specific measures					
Farm Help	DFA	4.6	5.0	3.5	3.0
Farm Management Deposits Scheme	TE	4.4	4.4	13.7	42.8
Income tax averaging provisions	TE	11.7	14.7	14.7	14.7
Rural Financial Counselling Service	FI	-	0.6	0.5	0.5
Skilling farmers for the future	FI	1.7	2.7	4.5	4.9
Tax allowance on drought preparedness assets	TE	0.2	-	-	-
Tax deduction for conserving or conveying water	TE	4.7	4.7	5.6	5.6
Rural R&D measures					
Grape and Wine R&D Corporation	FI	5.7	5.9	7.0	7.4
Horticulture R&D	FI	20.3	26.3	25.0	29.5
Rural Industries R&D Corporation	FI	2.4	2.4	2.1	2.1
General export measures					
Export Market Development Grants Scheme	DFA	1.9	1.7	1.7	1.7
TRADEX	TE	-	0.1	<0.1	<0.1
General investment measures					
Development allowance	TE	<0.1	<0.1	<0.1	-
General R&D measures					
Cooperative Research Centres	FI	2.3	2.1	2.0	4.1
CSIRO	FI	9.7	9.8	10.0	13.3
Farm Innovation Program	DFA	1.6	3.1	-	-
COMET Program	DFA	<0.1	0.1	<0.1	<0.1
New Industries Development Program	FI	-	1.4	1.3	0.9
Preseed fund	FI	-	-	<0.1	11.3
R&D Start	DFA	0.1	0.1	1.6	2.2
R&D tax concession	TE	0.2	0.2	0.2	0.2
Other measures					
Eden Structural Adjustment	DFA	-	-	<0.1	-
Small business capital gains tax exemption	TE	0.3	0.3	0.3	0.3
South West Forests Structural Adjustment	DFA	-	0.2	0.3	-
Wide Bay Burnett Structural Adjustment Program	DFA	-	0.1	0.2	-
Total		*84.1*	*102.4*	*116.6*	*166.3*

Table A.1 (continued)

	Type[a]	00-01	01-02	02-03[b]	03-04[b]
Grain, sheep and beef cattle farming					
Industry-specific measures					
Beef Expo + Gracemere Saleyards	FI	-	1.8	3.9	-
Lamb Industry Development Program	DFA	1.7	4.0	-	-
Lamb Industry Development Program – levy alleviation	DFA	7.4	7.7	-	-
Tasmanian wheat freight subsidy	DFA	0.8	0.8	0.8	0.8
Sector-specific measures					
Farm Help	DFA	12.5	8.1	12.3	10.6
Farm Management Deposits Scheme	TE	23.2	36.6	112.1	351.2
Income tax averaging provisions	TE	87.9	109.8	109.8	109.8
Rural Financial Counselling Service	FI	-	3.1	3.1	3.2
Skilling farmers for the future	FI	4.9	12.6	20.0	21.4
Tax allowance on drought preparedness assets	TE	4.0	-	-	-
Tax deduction for conserving or conveying water	TE	7.6	7.6	9.1	9.1
Rural R&D measures					
Grains R&D Corporation	FI	34.5	40.8	39.2	41.3
Meat and livestock R&D	FI	18.3	23.5	23.1	23.5
Wool R&D	FI	9.6	14.4	16.2	22.5
General export measures					
EFIC national interest business[c]	DFA	19.5	15.5	17.1	17.1
Export Market Development Grants Scheme	DFA	0.4	0.2	0.3	0.3
General investment measures					
Development allowance	TE	0.1	<0.1	<0.1	-
General R&D measures					
Biotechnology Innovation Fund	DFA	-	-	0.1	0.1
Cooperative Research Centres	FI	3.2	3.9	5.2	8.8
CSIRO	FI	41.2	41.3	42.4	61.3
Farm Innovation Program	DFA	0.4	0.8	-	-
COMET Program	DFA	-	-	<0.1	<0.1
New Industries Development Program	FI	-	0.3	0.3	0.2
R&D tax concession	TE	1.7	1.7	1.2	1.3
Other measures					
Small business capital gains tax exemption	TE	0.9	0.9	0.9	0.9
Total		*279.8*	*335.5*	*416.9*	*683.3*

Table A.1 (continued)

	Type[a]	*00-01*	*01-02*	*02-03*[b]	*03-04*[b]
Dairy cattle farming					
Sector-specific measures					
Farm Help	DFA	3.7	2.4	8.3	7.2
Farm Management Deposits Scheme	TE	1.9	3.3	7.8	24.3
Income tax averaging provisions	TE	10.1	12.7	12.7	12.7
Rural Financial Counselling Service	FI	-	0.4	0.8	0.8
Skilling farmers for the future	FI	0.8	1.9	2.8	3.0.
Tax allowance on drought preparedness assets	TE	0.1	-	-	-
Tax deduction for conserving or conveying water	TE	0.6	0.6	0.8	0.8
Rural R&D measures					
Dairy Research and Development Corporation	FI	12.7	15.4	14.1	15.0
General export measures					
Export Market Development Grants Scheme	DFA	-	-	<0.1	<0.1
General R&D measures					
CSIRO	FI	9.7	9.7	9.9	12.7
Farm Innovation Program	DFA	-	0.1	-	-
New Industries Development Program	FI	-	0.3	0.3	0.2
Other measures					
Small business capital gains tax exemption	TE	-	-	<0.1	<0.1
Total		*39.7*	*46.7*	*57.4*	*76.7*
Poultry farming					
Sector-specific measures					
Farm Help	DFA	0.7	0.5	0.6	0.5
Farm Management Deposits Scheme	TE	0.1	0.1	0.2	0.7
Income tax averaging provisions	TE	1.0	1.2	1.2	1.2
Rural Financial Counselling Service	FI	-	-	<0.1	<0.1
Skilling farmers for the future	FI	-	0.1	0.1	0.1
Tax deduction for conserving or conveying water	TE	0.1	0.1	0.1	0.1
Rural R&D measures					
Rural Industries R&D Corporation	FI	2.9	2.8	2.7	2.7
General R&D measures					
Cooperative Research Centres	FI	-	-	-	3.1
CSIRO	FI	-	-	-	1.0
Farm Innovation Program	DFA	0.2	0.4	-	-
New Industries Development Program	FI	-	0.2	0.1	0.1
R&D tax concession	TE	<0.1	<0.1	<0.1	<0.1
Other measures					
Small business capital gains tax exemption	TE	-	-	<0.1	<0.1
Total		*5.0*	*5.4*	*5.1*	*9.5*

Table A.1 (continued)

	Type[a]	00-01	01-02	02-03[b]	03-04[b]
Other livestock farming					
Industry-specific measures					
Pork industry development group grant	FI	0.5	-	-	-
Sector-specific measures					
Farm Help	DFA	0.7	0.4	1.1	0.9
Farm Management Deposits Scheme	TE	2.2	2.6	7.2	22.7
Income tax averaging provisions	TE	3.8	4.7	4.7	4.7
Rural Financial Counselling Service	FI	-	0.1	0.2	0.2
Skilling farmers for the future	FI	-	0.1	0.4	0.4
Tax allowance on drought preparedness assets	TE	0.1	-	-	-
Tax deduction for conserving or conveying water	TE	0.3	0.3	0.4	0.4
Rural R&D measures					
Pig R&D Corporation	FI	3.8	3.7	3.3	3.5
Rural Industries R&D Corporation	FI	1.2	1.2	1.1	1.1
General export measures					
Export Market Development Grants Scheme	DFA	0.4	0.3	0.6	0.6
General R&D measures					
CSIRO	FI	4.0	4.0	4.1	3.1
Farm Innovation Program	DFA	0.2	0.5	-	-
COMET Program	DFA	<0.1	0.1	<0.1	<0.1
New Industries Development Program	FI	-	0.3	0.3	0.2
R&D Start	DFA	0.1	-	-	-
R&D tax concession	TE	0.5	0.5	0.3	0.3
Other measures					
Small business capital gains tax exemption	TE	-	-	<0.1	<0.1
Total		*17.6*	*18.8*	*23.8*	*38.2*
Other crop growing					
Industry-specific measures					
Sugar industries package	FI	29.6	19.3	-	-
Sugar industry infrastructure Program	FI	1.8	1.8	-	-
Sector-specific measures					
Farm Help	DFA	15.5	10.0	2.4	2.1
Farm Management Deposits Scheme	TE	2.9	2.6	7.8	24.5
Income tax averaging provisions	TE	3.8	4.7	4.7	4.7
Rural Financial Counselling Service	FI	-	0.3	0.1	0.1
Skilling farmers for the future	FI	0.7	0.4	1.3	1.3
Tax allowance on drought preparedness assets	TE	0.4	-	-	-
Tax deduction for conserving or conveying water	TE	7.2	7.2	8.5	8.5
Rural R&D measures					
Cotton Research and Development Corporation	FI	6.8	7.6	8.3	4.7
Rural Industries R&D Corporation	FI	2.7	2.7	2.9	2.9
Sugar Research and Development Corporation	FI	3.8	7.0	5.1	4.8

Table A.1 (continued)

	Type[a]	00-01	01-02	02-03[b]	03-04[b]
General export measures					
Export Market Development Grants Scheme	DFA	0.4	0.5	0.3	0.3
TRADEX	TE	-	-	<0.1	<0.1
General R&D measures					
Biotechnology Innovation Fund	DFA	-	-	<0.1	<0.1
Cooperative Research Centres	FI	9.5	10.2	8.7	10.6
CSIRO	FI	9.2	9.2	9.5	8.5
Farm Innovation Program	DFA	0.5	0.9	-	-
COMET Program	DFA	<0.1	-	<0.1	<0.1
New Industries Development Program	FI	-	0.2	0.1	0.1
R&D Start	DFA	0.1	0.1	-	-
R&D tax concession	TE	1.7	1.7	1.2	1.3
Other measures					
Small business capital gains tax exemption	TE	-	-	0.1	0.1
Total		*96.4*	*86.3*	*61.1*	*74.6*
Services to agriculture (inc hunting and trapping)					
Sector-specific measures					
Income tax averaging provisions	TE	5.5	6.9	6.9	6.9
Skilling farmers for the future	FI	-	-	<0.1	<0.1
Tax allowance on drought preparedness assets	TE	0.1	-	-	-
Tax deduction for conserving or conveying water	TE	0.4	0.4	0.5	0.5
General export measures					
Export Market Development Grants Scheme	DFA	0.1	0.3	0.4	0.4
TRADEX	TE	-	0.1	<0.1	<0.1
General R&D measures					
Biotechnology Innovation Fund	DFA	-	0.1	1.2	1.5
COMET Program	DFA	0.6	0.3	0.1	0.1
R&D Start	DFA	4.7	5.2	1.3	1.8
R&D tax concession	TE	0.6	0.6	0.5	0.5
Other measures					
Small business capital gains tax exemption	TE	0.2	0.2	0.2	0.2
South West Forests Structural Adjustment	DFA	-	0.1	0.2	-
Wide Bay Burnett Structural Adjustment	DFA	-	-	0.1	-
Total		*12.2*	*14.3*	*11.3*	*11.9*
Forestry and logging					
Industry-specific measures					
Forest Industry Structural Adjustment	DFA	3.4	18.9	16.4	19.1
National Forest Policy Program	FI	2.0	-	-	-
Sector-specific measures					
Farm Management Deposits Scheme	TE	0.1	<0.1	0.1	0.4
Income tax averaging provisions	TE	1.6	2.0	2.0	2.0
Tax deduction for conserving or conveying water	TE	-	-	<0.1	<0.1

Table A.1 (continued)

	Type[a]	00-01	01-02	02-03[b]	03-04[b]
Rural R&D measures					
Forest and Wood Products R&D	FI	1.6	2.8	2.9	3.1
Rural Industries R&D Corporation	FI	2.2	2.2	2.1	2.1
General export measures					
Export Market Development Grants Scheme	DFA	-	-	<0.1	<0.1
General R&D measures					
Cooperative Research Centres	FI	2.3	2.4	2.4	2.5
CSIRO	FI	12.0	12.0	12.4	19.5
COMET Program	DFA	-	-	0.1	<0.1
R&D tax concession	TE	0.4	0.4	0.3	0.3
Other measures					
Eden Structural Adjustment	DFA	0.2	0.1	<0.1	-
Small business capital gains tax exemption	TE	-	-	0.1	0.1
Total		*25.8*	*40.8*	*39.0*	*49.2*
Marine fishing					
Sector-specific measures					
Farm Management Deposits Scheme	TE	0.3	0.3	0.9	2.7
Income tax averaging provisions	TE	13.2	16.5	16.5	16.5
Skilling farmers for the future	FI	-	0.1	0.9	1.0
Tax deduction for conserving or conveying water	TE	-	-	<0.1	<0.1
Rural R&D measures					
Fishing industry R&D	FI	7.8	8.8	10.2	10.4
General export measures					
Export Market Development Grants Scheme	DFA	0.3	0.2	0.2	0.2
TRADEX	TE	-	<0.1	<0.1	<0.1
General R&D measures					
CSIRO	FI	25.8	25.8	26.8	29.0
Farm Innovation Program	DFA	0.2	0.5	-	-
COMET Program	DFA	0.1	<0.1	-	-
New Industries Development Program	FI	-	0.2	0.1	0.1
R&D Start	DFA	1.1	1.3	0.1	0.1
R&D tax concession	TE	0.1	0.1	0.1	0.1
Other measures					
Eden Structural Adjustment	DFA	0.4	0.2	0.1	-
Small business capital gains tax exemption	TE	0.4	0.4	0.4	0.4
Total		*49.7*	*54.5*	*56.3*	*60.5*

Table A.1 (continued)

	Type[a]	00-01	01-02	02-03[b]	03-04[b]
Aquaculture					
Industry-specific measures					
Aquaculture Industry Action Agenda	FI	-	-	-	2.5
Sector-specific measures					
Farm Help	DFA	0.1	0.1	0.1	0.1
Farm Management Deposits Scheme	TE	0.1	0.1	0.2	0.7
Income tax averaging provisions	TE	1.4	1.8	1.8	1.8
Rural Financial Counselling Service	FI	-	-	<0.1	<0.1
Skilling farmers for the future	FI	-	0.2	0.3	0.3
Tax deduction for conserving or conveying water	TE	-	-	<0.1	<0.1
Rural R&D measures					
Fishing industry R&D	FI	6.7	7.1	8.3	8.4
General export measures					
Export Market Development Grants Scheme	DFA	-	0.2	0.1	0.1
TRADEX	TE	-	<0.1	<0.1	<0.1
General investment measures					
Development allowance	TE	2.0	1.9	1.6	-
General R&D measures					
Cooperative Research Centres	FI	0.4	1.5	2.6	2.6
CSIRO	FI	1.9	1.9	1.9	-
Farm Innovation Program	DFA	0.1	0.2	-	-
COMET Program	DFA	0.1	-	<0.1	<0.1
New Industries Development Program	FI	-	0.3	0.2	0.2
R&D Start	DFA	0.8	1.0	0.4	0.6
R&D tax concession	TE	0.4	0.4	0.3	0.3
Other measures					
Eden Structural Adjustment	DFA	-	-	<0.1	-
Small business capital gains tax exemption	TE	-	-	<0.1	<0.1
South West Forests Structural Adjustment	DFA	-	-	0.1	-
Total		*14.1*	*16.6*	*18.0*	*17.7*
Unallocated primary production					
Industry-specific measures					
Australian animal health laboratory	FI	6.0	5.9	6.1	6.2
Exotic Disease Preparedness program	FI	3.6	1.2	1.2	1.2
Sector-specific measures					
Agricultural development partnership	DFA	-	1.0	4.5	7.4
Farm assistance program	FI	1.0	-	-	-
Farm business programs	FI	17.1	-	-	-
Farm Help	DFA	0.9	0.6	0.5	0.4
Food and Fibre supply chain program	FI	6.0	-	-	-
National landcare program	FI	37.0	40.3	32.7	37.1
Rural adjustment scheme	DFA	18.0	21.6	3.2	2.1
Rural Financial Counselling Service	FI	-	0.7	0.6	0.6
Skilling farmers for the future	FI	0.6	0.8	1.4	1.4

Table A.1 (continued)

	Type[a]	*00-01*	*01-02*	*02-03*[b]	*03-04*[b]
Rural R&D measures					
Land and water resources R&D	FI	11.3	11.6	11.9	12.2
Rural Industries R&D Corporation	FI	4.0	3.9	3.8	3.8
General R&D measures					
Cooperative Research Centres	FI	7.6	7.7	8.5	13.0
Major national research facilities	FI	0.4	0.4	2.2	3.4
Other measures					
Tasmanian Freight equalisation scheme	DFA	4.1	4.4	5.5	5.7
Total		*117.6*	*100.1*	*82.0*	*94.6*
Total outlays		**519.8**	**550.1**	**510.8**	**584.2**
Total tax expenditures		**222.2**	**271.3**	**376.7**	**698.2**
Total Budgetary assistance		**741.9**	**821.4**	**887.6**	**1282.4**

- Nil. Figures may not add to total due to rounding. **a** DFA: direct financial assistance; FI: funding to institutions; TE: tax expenditures. **b** 2002-03 data are Budget estimates and 2003-04 data are Budget appropriations. **c** The estimates reported in this section are net National Interest Business outlays. These payments are insurance pay-outs. Because any difference between the National Interest Business scheme's borrowing and lending rates is underwritten by the Commonwealth, the scheme may provide assistance to agricultural exporters. However, net National Interest Business outlays provide only a weak indication of any assistance provided.

Sources: Commonwealth Budget and Budget related papers (various years); departmental annual reports (various years); Treasury 2003; Nelson 2003; Commission estimates.

Table A.2 **Australian Government budgetary assistance to the mining sector, 2000-01 to 2003-04**

$ million

	Type[a]	*00-01*	*01-02*	*02-03*[b]	*03-04*[b]
Industry-specific measures					
Investment Incentive to GTL Resources	DFA	-	-	-	0.6
Investment Incentive to Rio Tinto	DFA	-	-	45.6	45.7
Regional minerals program	FI	0.3	0.3	0.3	0.3
General export measures					
Export Market Development Grants Scheme	DFA	2.3	2.2	1.5	1.5
TRADEX	TE	0.3	0.4	2.3	2.2
General investment measures					
Development allowance	TE	101.1	91.9	78.1	-
General R&D measures					
Biotechnology Innovation Fund	DFA	-	-	0.1	0.1
Cooperative Research Centres	FI	5.8	7.4	8.4	9.8
CSIRO	FI	52.7	51.6	52.9	72.7
Innovation Investment Fund	DFA	-	0.8	-	-
COMET Program	DFA	0.1	0.3	0.2	0.1
Major national research facilities	FI	-	-	0.8	1.2
New Industries Development Program	FI	-	0.1	0.1	0.1
R&D Start	DFA	11.7	13.0	4.4	6.0
R&D tax concession	TE	38.8	39.9	28.3	29.4
Other measures					
Small business capital gains tax exemption	TE	-	-	0.1	0.1
Total outlays		**72.9**	**75.6**	**114.3**	**138.2**
Total tax expenditures		**140.2**	**132.2**	**108.8**	**31.6**
Total Budgetary assistance		**213.1**	**207.8**	**223.1**	**169.8**

- Nil. Figures may not add to total due to rounding. [a] DFA: direct financial assistance; FI: funding to institutions; TE: tax expenditures. [b] 2002-03 data are Budget estimates and 2003-04 data are Budget appropriations.

Sources: Commonwealth Budget and Budget related papers (various years); departmental annual reports (various years); Treasury 2003; Nelson 2003; Commission estimates.

Table A.3 **Australian Government budgetary assistance to the manufacturing sector, 2000-01 to 2003-04**

$ million

	Type[a]	*00-01*	*01-02*	*02-03*[b]	*03-04*[b]
Food, beverages and tobacco					
Industry-specific measures					
Brandy excise preferential rate	TE	3.0	3.0	5.0	4.0
National food industry strategy	DFA	-	-	3.0	12.0
Pigmeat processing grants program	DFA	2.8	1.6	-	-
Tasmanian wheat freight subsidy	DFA	0.4	0.4	0.4	0.4
General export measures					
Export Market Development Grants Scheme	DFA	8.7	8.4	11.2	11.1
TRADEX	TE	0.4	0.6	0.9	0.8
General investment measures					
Development allowance	TE	3.8	3.4	2.9	-
General R&D measures					
Cooperative Research Centres	FI	7.6	8.7	7.8	7.8
CSIRO	FI	19.9	20.0	20.7	38.0
COMET Program	DFA	0.1	0.1	<0.1	<0.1
New Industries Development Program	FI	-	0.5	0.4	0.3
R&D Start	DFA	1.9	2.1	1.8	2.5
R&D tax concession	TE	17.0	17.5	12.4	12.9
Other measures					
Eden Structural Adjustment	DFA	1.5	0.7	0.3	-
Small business capital gains tax exemption	TE	0.3	0.3	0.3	0.3
Tasmanian Freight equalisation scheme	DFA	9.0	12.2	12.5	13.0
Wide Bay Burnett Structural Adjustment Program	DFA	-	0.4	0.6	-
Total		*76.5*	*80.1*	*80.4*	*103.0*
Textile, clothing, footwear and leather					
Industry-specific measures					
TCF Corporate Wear Program	TE	-	37.4	41.1	45.2
TCF import credit scheme	TE	49.2	9.9	-	-
TCF strategic investment program	DFA	11.8	150.7	109.7	135.1
General export measures					
Export Market Development Grants Scheme	DFA	6.4	6.2	5.1	5.0
TRADEX	TE	10.4	15.7	17.6	16.4
General R&D measures					
CSIRO	FI	30.6	30.7	31.5	12.7
COMET Program	DFA	0.2	0.1	<0.1	<0.1
R&D Start	DFA	1.3	0.7	1.0	1.3
R&D tax concession	TE	1.3	1.3	1.0	1.0
Other measures					
Small business capital gains tax exemption	TE	-	-	<0.1	<0.1
Tasmanian Freight equalisation scheme	DFA	0.5	0.8	0.8	0.8
Total		*111.6*	*253.6*	*207.6*	*217.6*

Table A.3 (continued)

	Type[a]	*00-01*	*01-02*	*02-03*[b]	*03-04*[b]
Wood and paper products					
Industry-specific measures					
Investment incentive to Visy industries	DFA	3.0	3.0	2.9	2.9
General export measures					
Export Market Development Grants Scheme	DFA	1.6	1.8	1.3	1.2
TRADEX	TE	0.2	0.3	<0.1	<0.1
General investment measures					
Development allowance	TE	1.1	1.0	0.8	-
General R&D measures					
Cooperative Research Centres	FI	<0.1	1.3	3.0	3.6
CSIRO	FI	5.5	5.5	5.7	-
COMET Program	DFA	0.1	<0.1	<0.1	<0.1
R&D Start	DFA	0.3	0.1	0.1	0.1
R&D tax concession	TE	6.1	6.3	4.5	4.6
Other measures					
Small business capital gains tax exemption	TE	-	-	<0.1	<0.1
Tasmanian Freight equalisation scheme	DFA	16.0	20.1	17.4	18.1
Wide Bay Burnett Structural Adjustment Program	DFA	-	0.1	0.1	-
Total		*33.8*	*39.4*	*35.8*	*30.6*
Printing, publishing and recorded media					
Industry-specific measures					
Enhanced printing industry competitiveness	DFA	-	-	1.1	5.8
Extended printing industry competitiveness	DFA	13.5	15.9	8.6	8.4
Printing Industry Competitiveness Scheme	DFA	3.5	1.9	0.5	-
General export measures					
Export Market Development Grants Scheme	DFA	3.1	2.9	3.2	3.2
TRADEX	TE	-	<0.1	0.3	0.3
General investment measures					
Development allowance	TE	<0.1	<0.1	<0.1	-
General R&D measures					
COMET Program	DFA	0.1	0.1	0.1	0.1
R&D Start	DFA	1.3	1.5	0.5	0.7
R&D tax concession	TE	1.2	1.2	0.9	0.9
Other measures					
Small business capital gains tax exemption	TE	0.2	0.2	0.2	0.2
Total		*22.8*	*23.8*	*15.4*	*19.6*
Petroleum, coal, chemical and associated products					
Industry-specific measures					
Capital subsidies for biofuel projects	DFA	-	-	-	24.3
Ethanol production grants	DFA	-	-	-	27.0
Ethanol production subsidy	DFA	-	-	21.7	7.2
Investment incentive to Syntroleum	DFA	50.0	20.0	-	-
Pharmaceutical industry development program	DFA	37.6	62.8	62.1	68.5

Table A.3 (continued)

	Type[a]	00-01	01-02	02-03[b]	03-04[b]
General export measures					
Export Market Development Grants Scheme	DFA	5.5	5.0	5.4	5.3
TRADEX	TE	1.9	2.8	3.6	3.4
General investment measures					
Development allowance	TE	8.7	7.9	6.7	-
General R&D measures					
Biotechnology Innovation Fund	DFA	-	1.3	1.3	1.7
Cooperative Research Centres	FI	17.6	14.5	13.6	16.2
CSIRO	FI	40.8	40.9	41.9	22.3
Farm Innovation Program	DFA	0.1	0.1	-	-
Innovation Investment Fund	DFA	12.8	0.4	10.4	17.7
COMET Program	DFA	0.4	0.4	0.8	0.5
New Industries Development Program	FI	-	0.3	0.3	0.2
R&D Start	DFA	8.9	12.1	10.4	14.3
R&D tax concession	TE	14.4	14.8	10.5	10.9
Other measures					
Small business capital gains tax exemption	TE	0.5	0.5	0.5	0.5
Total		*199.2*	*183.8*	*189.2*	*220.0*
Non-metallic mineral products					
General export measures					
Export Market Development Grants Scheme	DFA	1.0	1.1	1.2	1.2
TRADEX	TE	-	0.1	<0.1	<0.1
General investment measures					
Development allowance	TE	0.5	0.5	0.4	-
General R&D measures					
Innovation Investment Fund	DFA	1.2	-	-	-
COMET Program	DFA	0.3	<0.1	<0.1	<0.1
R&D Start	DFA	7.1	10.6	1.6	2.3
R&D tax concession	TE	6.6	6.8	4.8	5.0
Other measures					
Small business capital gains tax exemption	TE	-	-	<0.1	<0.1
Total		*16.7*	*19.1*	*8.1*	*8.5*
Metal products					
General export measures					
Export Market Development Grants Scheme	DFA	3.9	3.1	2.8	2.8
TRADEX	TE	2.4	3.6	5.0	4.7
General investment measures					
Development allowance	TE	51.9	47.1	40.1	-
General R&D measures					
Cooperative Research Centres	FI	11.4	8.8	8.3	8.0
CSIRO	FI	28.3	28.2	29.0	-
COMET Program	DFA	0.2	0.1	0.1	0.1
R&D Start	DFA	5.1	7.4	6.9	9.4
R&D tax concession	TE	19.7	20.2	14.4	14.9

Table A.3 (continued)

	Type[a]	00-01	01-02	02-03[b]	03-04[b]
Other measures					
Small business capital gains tax exemption	TE	-	-	<0.1	<0.1
Tasmanian Freight equalisation scheme	DFA	-	-	2.2	2.3
Total		*122.8*	*118.6*	*108.8*	*42.2*
Motor vehicles and parts					
Industry-specific measures					
Automotive competitiveness and investment scheme	TE	91.9	581.9	569.7	568.0
Automotive competitiveness and investment scheme – post 2005	DFA	-	-	-	0.5
Automotive market access and development	FI	4.8	4.9	-	-
Duty free allowance	TE	88.0	-	-	-
Investment incentive for Holden	DFA	4.5	8.5	4.0	-
PMV export facilitation scheme	TE	363.0	-	-	-
General export measures					
Export Market Development Grants Scheme	DFA	2.2	2.1	1.5	1.5
TRADEX	TE	63.9	96.4	71.6	67.1
General investment measures					
Development allowance	TE	11.3	10.3	8.7	-
General R&D measures					
Innovation Investment Fund	DFA	2.8	-	-	-
COMET Program	DFA	0.2	0.3	0.2	0.1
Preseed fund	FI	-	-	0.8	2.7
R&D Start	DFA	0.3	2.9	1.4	1.9
R&D tax concession	TE	24.3	25.0	17.7	18.4
Other measures					
Small business capital gains tax exemption	TE	-	-	0.1	0.1
Wide Bay Burnett Structural Adjustment Program	DFA	-	-	0.1	-
Total		*657.2*	*732.2*	*675.9*	*660.4*
Other transport equipment					
Industry-specific measures					
Shipbuilding bounty	DFA	13.1	12.0	13.3	4.2
Shipbuilding innovation scheme	DFA	7.8	10.1	8.7	15.6
General export measures					
Export Market Development Grants Scheme	DFA	1.0	1.0	1.3	1.3
TRADEX	TE	-	0.1	0.2	0.2
General R&D measures					
Cooperative Research Centres	FI	-	0.8	1.9	1.9
COMET Program	DFA	0.2	0.2	0.2	0.1
R&D Start	DFA	4.8	4.2	3.3	4.6
R&D tax concession	TE	67.3	69.1	49.1	50.9
Total		*94.1*	*97.5*	*77.9*	*78.8*

Table A.3 (continued)

	Type[a]	00-01	01-02	02-03[b]	03-04[b]
Other machinery and equipment					
General export measures					
Export Market Development Grants Scheme	DFA	14.7	14.8	15.1	15.0
TRADEX	TE	4.9	7.4	4.7	4.4
General investment measures					
Development allowance	TE	0.9	0.8	0.7	-
General R&D measures					
Biotechnology Innovation Fund	DFA	-	-	0.7	0.9
Cooperative Research Centres	FI	23.8	22.5	18.5	17.0
CSIRO	FI	35.2	35.1	36.1	-
Innovation Investment Fund	DFA	-	-	4.2	7.2
COMET Program	DFA	2.2	1.6	1.5	1.0
Major national research facilities	FI	0.5	0.4	2.4	3.6
New Industries Development Program	FI	-	0.2	0.2	0.1
R&D Start	DFA	34.1	51.8	27.3	37.5
R&D tax concession	TE	37.8	38.8	27.6	28.6
Other measures					
Small business capital gains tax exemption	TE	-	-	0.1	0.1
South West Forests Structural Adjustment	DFA	-	-	<0.1	-
Wide Bay Burnett Structural Adjustment Program	DFA	-	0.2	0.4	-
Total		*154.1*	*173.6*	*139.5*	*115.6*
Other manufacturing					
General export measures					
Export Market Development Grants Scheme	DFA	9.2	8.1	8.4	8.3
TRADEX	TE	12.0	18.1	20.1	18.8
General investment measures					
Development allowance	TE	0.2	0.2	0.1	-
General R&D measures					
Biotechnology Innovation Fund	DFA	-	0.1	1.6	2.1
CSIRO	FI	-	-	-	55.4
COMET Program	DFA	0.1	0.8	0.8	0.5
R&D Start	DFA	13.7	17.5	13.3	18.3
R&D tax concession	TE	5.2	5.3	3.8	3.9
Other measures					
Small business capital gains tax exemption	TE	-	-	0.3	0.3
Tasmanian Freight equalisation scheme	DFA	3.0	1.7	1.7	1.7
Wide Bay Burnett Structural Adjustment Program	DFA	-	-	<0.1	-
Total		*43.5*	*51.9*	*50.0*	*109.4*

Table A.3 (continued)

	Type[a]	*00-01*	*01-02*	*02-03*[b]	*03-04*[b]
Unallocated manufacturing					
General export measures					
Duty Drawback	TE	70.3	93.9	121.0	100.0
General R&D measures					
Cooperative Research Centres	FI	-	-	-	1.5
Technology Diffusion program	DFA	14.2	12.9	4.2	-
Other measures					
Enterprise development program	FI	1.3	0.7	-	-
Small business capital gains tax exemption	TE	0.3	0.3	-	-
Tasmanian Freight equalisation scheme	DFA	35.0	32.8	36.4	37.7
Total		*121.1*	*140.6*	*161.6*	*139.2*
Total outlays		**611.3**	**764.0**	**680.6**	**757.8**
Total tax expenditures		**1042.1**	**1150.1**	**1069.7**	**987.0**
Total Budgetary assistance		**1653.5**	**1914.1**	**1750.2**	**1744.9**

- Nil. Figures may not add to total due to rounding. [a] DFA: direct financial assistance; FI: funding to institutions; TE: tax expenditures. [b] 2002-03 data are Budget estimates and 2003-04 data are Budget appropriations.

Sources: Commonwealth Budget and Budget related papers (various years); departmental annual reports (various years); Treasury 2003; Nelson 2003; ACS 2003; Commission estimates.

Table A.4 **Australian Government budgetary assistance to the services sector, 2000-01 to 2003-04**

$ million

	Type[a]	*00-01*	*01-02*	*02-03*[b]	*03-04*[b]
Electricity, gas and water supply					
Industry-specific measures					
Renewable energy commercialisation	DFA	6.8	8.9	9.9	14.0
Renewable energy equity fund	DFA	2.8	3.4	2.6	2.4
General export measures					
Export Market Development Grants Scheme	DFA	0.4	0.4	0.4	0.4
General investment measures					
Development allowance	TE	5.6	5.1	4.3	-
Infrastructure bonds scheme	TE	31.0	13.0	10.4	5.2
Infrastructure borrowing's tax offsets scheme	TE	43.0	36.0	28.8	21.6
General R&D measures					
Cooperative Research Centres	FI	4.6	3.5	4.1	2.8
COMET Program	DFA	0.2	0.4	0.3	0.2
R&D Start	DFA	1.4	3.0	5.9	8.1
R&D tax concession	TE	0.7	0.7	0.5	0.5
Other measures					
Small business capital gains tax exemption	TE	-	-	<0.1	<0.1
Total		*96.5*	*74.4*	*67.2*	*55.2*
Construction					
General export measures					
Export Market Development Grants Scheme	DFA	1.7	0.9	1.8	1.8
TRADEX	TE	0.6	0.9	1.8	1.7
General investment measures					
Development allowance	TE	0.1	<0.1	<0.1	-
General R&D measures					
Cooperative Research Centres	FI	-	1.5	2.0	2.5
CSIRO	FI	22.1	22.1	22.7	12.8
Innovation Investment Fund	DFA	2.5	1.2	-	-
COMET Program	DFA	<0.1	0.1	0.2	0.1
R&D Start	DFA	0.9	3.5	1.2	1.7
R&D tax concession	TE	6.5	6.7	4.8	4.9
Other measures					
Small business capital gains tax exemption	TE	1.2	1.2	1.2	1.2
Total		*35.6*	*38.2*	*35.8*	*26.8*
Wholesale trade					
General export measures					
Export Market Development Grants Scheme	DFA	13.2	12.4	12.6	12.5
TRADEX	TE	3.9	5.9	1.0	1.0
General investment measures					
Development allowance	TE	0.2	0.2	0.2	-

Table A.4 (continued)

	Type[a]	00-01	01-02	02-03[b]	03-04[b]
General R&D measures					
COMET Program	DFA	-	-	0.1	<0.1
R&D Start	DFA	1.0	0.6	0.8	1.1
R&D tax concession	TE	15.2	15.6	11.1	11.5
Other measures					
Small business capital gains tax exemption	TE	12.6	12.6	12.6	12.6
Wide Bay Burnett Structural Adjustment Program	DFA	-	0.2	0.3	-
Total		*46.3*	*47.6*	*38.6*	*38.7*
Retail trade					
Industry-specific measures					
Pharmacy restructuring grants	DFA	10.0	-	-	-
General export measures					
Australian Tourist Commission	FI	21.3	22.6	20.8	20.7
Export Market Development Grants Scheme	DFA	2.4	1.3	1.2	1.2
TRADEX	TE	-	0.1	0.2	0.2
General investment measures					
Development allowance	TE	0.2	0.2	0.1	-
General R&D measures					
COMET Program	DFA	0.1	0.1	0.1	<0.1
R&D Start	DFA	0.4	0.3	<0.1	<0.1
R&D tax concession	TE	2.2	2.2	1.6	1.6
Other measures					
Eden Structural Adjustment	DFA	0.3	0.1	<0.1	-
Small business capital gains tax exemption	TE	4.4	4.4	4.4	4.4
South West Forests Structural Adjustment	DFA	-	0.8	1.3	-
Wide Bay Burnett Structural Adjustment Program	DFA	-	-	0.1	-
Total		*41.2*	*32.0*	*29.9*	*28.2*
Accommodation, cafes and restaurants					
General export measures					
Australian Tourist Commission	FI	28.1	30.0	27.5	27.3
Export Market Development Grants Scheme	DFA	8.9	9.1	8.0	8.0
General R&D measures					
COMET Program	DFA	-	<0.1	-	-
R&D Start	DFA	-	<0.1	-	-
Other measures					
Eden Structural Adjustment	DFA	0.4	0.2	0.1	-
Small business capital gains tax exemption	TE	5.5	5.5	5.5	5.5
South West Forests Structural Adjustment	DFA	-	0.4	0.6	-
Wide Bay Burnett Structural Adjustment Program	DFA	-	-	0.1	-
Total		*42.9*	*45.2*	*41.7*	*40.7*

Table A.4 (continued)

	Type[a]	00-01	01-02	02-03[b]	03-04[b]
Transport and storage					
Industry-specific measures					
Investment incentive to Asia Pacific Space Centre	DFA	-	6.0	<0.1	23.4
General export measures					
Australian Tourist Commission	FI	35.0	37.3	34.2	34.0
Export Market Development Grants Scheme	DFA	11.1	9.3	8.6	8.6
TRADEX	TE	1.6	2.4	3.2	3.0
General investment measures					
Development allowance	TE	13.6	12.3	10.5	-
Infrastructure bonds scheme	TE	29.0	12.0	9.6	4.8
Infrastructure borrowing's tax offset scheme	TE	13.0	20.3	27.5	34.7
General R&D measures					
COMET Program	DFA	0.6	0.2	0.3	0.2
R&D Start	DFA	1.3	0.7	0.5	0.7
R&D tax concession	TE	2.8	2.9	2.0	2.1
Other measures					
Small business capital gains tax exemption	TE	1.5	1.5	1.5	1.5
Total		*109.5*	*104.8*	*98.0*	*113.0*
Communication services					
Industry-specific measures					
Investment incentive to IBM	DFA	1.6	0.8	0.8	-
Investment incentive to SITA	DFA	2.1	2.3	1.7	1.0
Software engineering centres	FI	6.5	3.5	2.4	-
General export measures					
Australian Tourist Commission	FI	1.2	1.3	1.2	1.2
Export Market Development Grants Scheme	DFA	2.0	1.2	1.1	1.1
TRADEX	TE	-	<0.1	<0.1	<0.1
General investment measures					
Development allowance	TE	15.4	14.0	11.9	-
General R&D measures					
Cooperative Research Centres	FI	3.0	5.6	8.2	8.3
CSIRO	FI	20.9	20.9	21.5	57.2
ICT centre of excellence	FI	-	<0.1	10.3	11.3
Innovation Investment Fund	DFA	5.7	6.1	6.8	11.7
COMET Program	DFA	1.6	1.1	0.8	0.5
R&D Start	DFA	13.2	14.8	4.6	6.3
R&D tax concession	TE	5.6	5.8	4.1	4.3
Other measures					
Small business capital gains tax exemption	TE	1.2	1.2	1.2	1.2
Total		*80.0*	*78.6*	*76.6*	*104.1*

Table A.4 (continued)

	Type[a]	00-01	01-02	02-03[b]	03-04[b]
Finance and insurance					
General export measures					
Export Market Development Grants Scheme	DFA	0.4	1.0	0.8	0.8
TRADEX	TE	-	0.1	0.1	0.1
General investment measures					
Development allowance	TE	0.5	0.5	0.4	-
Infrastructure borrowing's tax offsets scheme	TE	19.0	18.8	18.8	18.8
Offshore banking unit tax concession	TE	45.0	40.0	20.0	20.0
General R&D measures					
COMET Program	DFA	0.2	0.1	0.2	0.1
R&D Start	DFA	1.0	4.1	1.2	1.6
R&D tax concession	TE	31.0	31.9	22.6	23.5
Other measures					
Small business capital gains tax exemption	TE	3.1	3.1	3.1	3.1
Total		*100.2*	*99.5*	*67.1*	*68.0*
Property and business services					
General export measures					
Export Market Development Grants Scheme	DFA	23.6	25.7	27.1	26.9
TRADEX	TE	-	0.1	3.6	3.3
General investment measures					
Development allowance	TE	2.3	2.1	1.8	-
General R&D measures					
Biotechnology Innovation Fund	DFA	-	2.2	3.7	4.9
Cooperative Research Centres	FI	3.6	4.7	5.6	10.9
Innovation Investment Fund	DFA	0.4	15.0	3.3	5.6
COMET Program	DFA	3.4	4.5	3.7	2.6
R&D Start	DFA	25.4	35.9	20.9	28.8
R&D tax concession	TE	49.9	51.3	36.4	37.8
Other measures					
Eden Structural Adjustment	DFA	-	-	<0.1	-
Small business capital gains tax exemption	TE	4.8	4.8	4.8	4.8
Wide Bay Burnett Structural Adjustment Program	DFA	-	0.1	0.2	-
Total		*113.4*	*146.3*	*111.1*	*125.6*
Government administration and defence					
General export measures					
Export Market Development Grants Scheme	DFA	-	-	<0.1	<0.1
TRADEX	TE	-	<0.1	2.4	2.2
General R&D measures					
COMET Program	DFA	-	<0.1	<0.1	<0.1
R&D Start	DFA	0.4	0.7	0.1	0.2
Total		*0.4*	*0.8*	*2.6*	*2.5*

Table A.4 (continued)

	Type[a]	00-01	01-02	02-03[b]	03-04[b]
Education					
General export measures					
Australian Tourist Commission	FI	1.1	1.1	1.0	1.0
Export Market Development Grants Scheme	DFA	8.7	8.4	7.8	7.7
General investment measures					
Development allowance	TE	0.1	0.1	0.1	-
General R&D measures					
COMET Program	DFA	0.1	0.1	0.2	0.2
R&D Start	DFA	3.5	2.2	0.1	0.1
R&D tax concession	TE	1.2	1.2	0.9	0.9
Other measures					
Small business capital gains tax exemption	TE	-	-	<0.1	<0.1
Total		*14.8*	*13.0*	*10.1*	*9.9*
Health and community services					
Industry-specific measures					
Renewable Energy Equity Fund	DFA	-	-	0.4	0.4
General export measures					
Export Market Development Grants Scheme	DFA	0.4	0.5	0.9	0.9
TRADEX	TE	-	<0.1	-	-
General investment measures					
Development allowance	TE	<0.1	<0.1	<0.1	-
General R&D measures					
Biotechnology Innovation Fund	DFA	-	1.1	3.2	4.3
Cooperative Research Centres	FI	12.8	13.3	13.4	21.4
Innovation Investment Fund	DFA	-	0.6	-	-
COMET Program	DFA	0.7	0.9	0.8	0.6
R&D Start	DFA	17.9	20.8	10.6	14.6
R&D tax concession	TE	1.9	2.0	1.4	1.4
Other measures					
Small business capital gains tax exemption	TE	0.8	0.8	0.8	0.8
Wide Bay Burnett Structural Adjustment Program	DFA	-	0.1	0.1	-
Total		*34.4*	*39.9*	*31.7*	*44.3*
Cultural and recreational services					
Industry-specific measures					
Australian Film Commission	DFA	16.5	16.7	20.5	22.2
Australian Film Finance Corporation	DFA	48.0	50.0	57.5	60.5
Film industry tax incentives	TE	6.0	<0.1	-	-
Refundable tax off-set for large scale films	TE	-	-	5.0	35.0
General export measures					
Australian Tourist Commission	FI	4.1	4.4	4.0	4.0
Export Market Development Grants Scheme	DFA	8.2	10.6	11.3	11.2
General investment measures					
Development allowance	TE	0.4	0.3	0.3	-

Table A.4 (continued)

	Type[a]	00-01	01-02	02-03[b]	03-04[b]
General R&D measures					
Cooperative Research Centres	FI	2.3	2.4	2.4	4.1
Innovation Investment Fund	DFA	-	0.6	-	-
COMET Program	DFA	0.5	0.1	0.1	0.1
R&D Start	DFA	1.0	0.7	0.3	0.5
R&D tax concession	TE	7.4	7.6	5.4	5.6
Other measures					
Eden Structural Adjustment	DFA	0.2	0.1	<0.1	-
Small business capital gains tax exemption	TE	0.8	0.8	0.5	0.5
South West Forests Structural Adjustment	DFA	-	0.4	0.7	-
Wide Bay Burnett Structural Adjustment Program	DFA	-	0.2	0.3	-
Total		*95.3*	*94.9*	*108.4*	*143.6*
Personal and other services					
General export measures					
Export Market Development Grants Scheme	DFA	1.1	1.2	0.7	0.7
General R&D measures					
COMET Program	DFA	-	<0.1	<0.1	<0.1
R&D Start	DFA	3.7	2.7	0.3	0.4
R&D tax concession	TE	0.5	0.5	0.4	0.4
Other measures					
Small business capital gains tax exemption	TE	0.7	0.7	0.7	0.7
Total		*6.0*	*5.1*	*2.2*	*2.3*
Unallocated services					
Industry-specific measures					
Building IT strengths	DFA	6.0	64.6	24.8	18.2
General export measures					
Australian Tourist Commission	FI	1.2	1.3	1.2	1.1
General R&D measures					
CSIRO	FI	9.8	9.8	10.1	-
Total		*17.0*	*75.7*	*36.1*	*19.3*
Total outlays		**441.5**	**546.5**	**467.6**	**539.7**
Total tax expenditures		**392.0**	**349.3**	**289.5**	**282.4**
Total Budgetary assistance		**833.5**	**895.8**	**757.1**	**822.1**

- Nil. Figures may not add to total due to rounding. [a] DFA: direct financial assistance; FI: funding to institutions; TE: tax expenditures. [b] 2002-03 data are Budget estimates and 2003-04 data are Budget appropriations.

Sources: Commonwealth Budget and Budget related papers (various years); departmental annual reports (various years); Treasury 2003; Nelson 2003; Commission estimates.

Table A.5 **Australian Government budgetary assistance, Unallocated other[a], 2000-01 to 2003-04**

$ million

	Type[b]	*00-01*	*01-02*	*02-03 [c]*	*03-04 [c]*
Industry-specific measures					
Greenhouse Gas Abatement Program	DFA	6.2	19.8	24.1	79.6
General export measures					
Austrade	FI	163.2	174.5	163.8	158.7
Export access	FI	3.0	3.0	5.0	5.5
Tourist programs	FI	-	15.5	-	-
General investment measure					
Invest Australia	FI	14.0	14.0	11.0	11.0
Regional headquarters program	TE	2.0	1.0	1.0	1.0
General R&D measures					
Biotechnology Australia	FI	4.0	2.3	2.1	2.1
Biotechnology centre of excellence	FI	-	0.8	3.6	4.6
Commonwealth technology park	FI	8.0	11.5	-	-
Innovation Access Program	DFA	-	-	5.2	12.2
Innovation Awareness Program	DFA	-	-	0.5	0.5
Major national research facilities	FI	1.6	1.6	8.0	12.3
Premium R&D tax concession	TE	-	40.0	105.0	120.0
Preseed fund	FI	-	<0.1	-	-
R&D refundable tax off-set for small companies	TE	-	-	15.0	12.0
R&D Start	DFA	2.6	-	0.3	0.4
Other measures					
Clean food production program	FI	1.0	-	-	-
Further tourism promotion	DFA	-	5.0	-	-
Pooled development funds	TE	8.0	11.0	13.0	16.0
Regional assistance program	DFA	46.8	24.1	24.5	37.1
Small Business Assistance Program	DFA	-	1.2	13.1	13.4
Small business participation in major projects	FI	-	3.0	-	-
Tasmanian Freight equalisation scheme	DFA	-	-	0.8	0.8
Total outlays		**250.4**	**276.2**	**261.9**	**338.1**
Total tax expenditures		**10.0**	**52.0**	**134.0**	**149.0**
Total Budgetary assistance		**260.4**	**328.2**	**395.9**	**487.1**

- Nil. Figures may not add to total due to rounding. [a] Include programs or amounts of funding where the industry is not stated or recipients are unknown. [b] DFA: direct financial assistance; FI: funding to institutions; TE: tax expenditures. [c] 2002-03 data are Budget estimates and 2003-04 data are Budget appropriations. [d] Austrade has informed the Commission that it no longer resembles data on the industries benefiting from its export promotion activities. Thus the commission has discontinued allocating Austrade assistance to individual industries.

Sources: Commonwealth Budget and Budget related papers (various years); departmental annual reports (various years); Treasury 2003; Nelson 2003; Commission estimates.

B Combined assistance estimates

This appendix provides updated estimates of combined assistance for the years 1997-98 to 2002-03. The combined estimates include:

- Australian Government budgetary assistance;
- tariff assistance; and
- agricultural pricing and regulatory assistance.

The combined estimates exclude State budgetary assistance and assistance provided through restrictions on services trade and anti-dumping measures, as well as other forms of assistance that are not captured in the Commission's estimates (see chapter 2).

Tables B.1 and B.2 report estimates of the dollar value of combined assistance, or *net subsidy equivalent*, and the *effective rate of combined assistance*, respectively, for different industry groupings from 1997-98 to 2002-03.

A more detailed discussion of these estimates are provided in chapter 2.

Table B.1 **Combined[a] net subsidy equivalent[b] by industry grouping, 1997-98 to 2002-03** ($ million)

Industry grouping	*1997-98*	*1998-99*	*1999-00*	*2000-01*	*2001-02*	*2002-03*
Primary production[c]	**1255.5**	**1151.6**	**1081.9**	**886.3**	**1039.3**	**1049.3**
Dairy cattle farming	525.9	469.3	480.3	215.5	302.6	224.0
Grain, sheep and beef cattle farming	291.4	280.2	234.9	267.4	316.5	404.1
Horticulture and fruit growing	111.6	90.5	87.0	109.8	133.5	138.4
Other crop growing	57.4	54.7	58.3	88.3	76.5	83.7
Other livestock farming	14.6	19.4	17.8	14.7	15.2	21.3
Fisheries	35.5	35.0	36.3	42.7	49.2	52.5
Forestry	33.3	54.0	26.2	20.6	35.4	33.6
Other primary production[d]	7.1	8.0	5.6	9.7	10.3	9.8
Mining[c]	**159.5**	**131.0**	**96.1**	**37.2**	**32.9**	**40.6**
Manufacturing[c]	**5525.1**	**5431.1**	**5150.7**	**5095.7**	**5442.5**	**5492.2**
Food, beverages & tobacco	822.9	838.5	850.3	966.9	948.4	950.8
Textiles, clothing, footwear & leather	1105.7	1045.2	862.7	739.6	852.8	794.2
Wood & paper products	286.4	293.0	298.0	300.8	364.1	384.1
Printing, publishing & media	135.5	136.0	154.8	170.6	187.8	190.9
Petroleum, coal, chemical & assoc. prod.	786.4	748.4	781.1	767.5	819.3	869.7
Non-metallic mineral products	131.5	158.2	148.2	141.1	148.7	158.2
Metal product manufacturing	674.1	704.3	652.9	671.9	621.8	626.6
Motor vehicles & parts	897.5	808.8	736.8	656.1	735.4	767.7
Other transport equipment	-4.9	0.1	53.0	62.2	61.5	39.1
Other machinery & equipment	357.9	396.0	325.1	324.8	359.8	342.4
Other manufacturing	143.0	157.7	150.9	173.1	204.7	206.8
Services[c]	**-1218.0**	**-1310.7**	**-1284.9**	**-1275.1**	**-1401.6**	**-1753.8**
Electricity, gas & water supply	36.5	42.8	36.5	45.5	21.2	10.9
Construction	-553.1	-605.1	-677.2	-571.9	-665.5	-776.0
Wholesale trade	-96.2	-104.1	-90.3	-99.4	-111.1	-129.3
Retail trade	-146.0	-145.1	-146.6	-143.1	-170.7	-192.0
Accommodation, cafes & restaurants	-144.2	-152.8	-156.2	-155.8	-152.0	-162.5
Transport & storage	-10.6	-18.7	-18.1	-62.2	-80.2	-97.0
Communication services	-20.8	-6.8	24.6	22.0	19.5	14.9
Finance & insurance	68.7	47.5	58.0	54.9	50.3	13.3
Property & business services	-142.8	-143.5	-136.3	-134.1	-110.7	-161.5
Government administration & defence	-160.2	-163.5	-163.3	-166.7	-183.9	-197.7
Education	-17.2	-17.8	-19.9	-24.7	-28.4	-34.5
Health & community services	-57.5	-52.7	-48.6	-45.7	-46.1	-60.1
Cultural & recreational services	62.9	47.7	54.3	40.8	37.8	47.8
Personal & other services	-47.4	-49.7	-53.6	-51.7	-57.3	-66.3

[a] 'Combined assistance' comprises budgetary, tariff and agricultural pricing and regulatory assistance, as reported in tables 2.1, 2.2 and 2.3 respectively. The total NSE has been adjusted to take account of programs included in both tariff and budgetary assistance. [b] NSE estimates are derived using ABS Industry Gross Value Added at current prices data. This information is subject to periodic revision by the ABS. [c] Totals may not add due to rounding. Sectoral totals also include assistance to the sector that has not been allocated to specific industry groupings. [d] Other primary production includes *services to agriculture, hunting and trapping* and *poultry farming*.

Source: Commission estimates.

Table B.2 **Effective rate of combined[a] assistance[b] by industry grouping, 1997-98 to 2002-03** (per cent)

Industry grouping	*1997-98*	*1998-99*	*1999-00*	*2000-01*	*2001-02*	*2002-03*
Primary production[c]	**5.8**	**5.1**	**4.7**	**3.1**	**3.0**	**4.2**
Dairy cattle farming	37.8	32.2	34.0	12.6	14.7	15.6
Grain, sheep and beef cattle farming	3.1	2.8	2.2	2.0	1.9	3.4
Horticulture and fruit growing	3.3	2.5	2.6	2.7	2.7	4.0
Other crop growing	2.4	2.2	2.5	3.0	2.2	3.4
Other livestock farming	2.0	2.6	2.3	1.5	1.3	2.5
Fisheries	2.7	2.6	2.7	2.6	2.9	3.1
Forestry	5.3	8.4	4.0	2.6	4.3	4.1
Other primary production[d]	0.3	0.3	0.2	0.3	0.3	0.4
Mining[c]	**0.5**	**0.4**	**0.3**	**0.1**	**0.1**	**0.1**
Manufacturing[c]	**5.3**	**5.2**	**4.8**	**4.7**	**4.7**	**4.5**
Food, beverages & tobacco	3.4	3.3	3.3	3.6	3.6	3.6
Textiles, clothing, footwear & leather	25.8	24.0	22.1	20.6	26.2	25.2
Wood & paper products	4.7	4.7	5.0	4.9	4.9	4.8
Printing, publishing & media	1.4	1.4	1.4	1.5	1.5	1.4
Petroleum, coal, chemical & assoc. prod.	5.0	5.0	5.0	4.5	4.3	4.3
Non-metallic mineral products	2.5	2.7	2.3	2.5	2.5	2.3
Metal product manufacturing	4.0	4.4	4.3	4.2	4.2	4.1
Motor vehicles & parts	14.0	13.1	11.7	11.2	11.2	10.8
Other transport equipment	-0.2	0.0	2.4	3.0	2.6	1.6
Other machinery & equipment	3.5	4.0	3.2	3.0	3.0	2.6
Other manufacturing	4.0	4.1	4.0	4.2	4.2	4.1

a 'Combined assistance' comprises budgetary, tariff and agricultural pricing and regulatory assistance, as reported in tables 2.1, 2.2 and 2.3 respectively. **b** ERAs have not been estimated for the services sector. **c** Sectoral ERAs also include assistance to the sector that has not been allocated to specific industry groupings. **d** Other primary production includes *services to agriculture, hunting and trapping* and *poultry farming*.

Source: Commission estimates.

C Anti-dumping and countervailing activity

Dumping is said to occur when a foreign supplier exports goods at a price below the ‘normal value’ of the goods in the supplier’s home market. The price of the good in the exporter’s home market is generally used to determine the normal value, but in certain prescribed circumstances, alternatives such as the good’s price in another export market or a constructed price are sometimes used.

Under WTO rules, the ‘Anti-dumping Agreement’ places certain disciplines on anti-dumping actions by setting out rules that a WTO member can or cannot react to dumping. In the absence of such rules, overseas suppliers could be unreasonably subject to anti-dumping duties. To apply anti-dumping measures, a country has to be able to demonstrate that dumping is taking place, calculate the extent of dumping (how much lower the export price is compared to the exporter’s home price) and show that dumping is causing material injury to a competing domestic industry.

Countries may also apply countervailing duties where imports — benefiting from certain forms of subsidies in the country of origin — cause, or threaten to cause, material injury to a domestic industry.

Like other measures that raise the price of imports, anti-dumping and countervailing measures assist particular industries, but can also impose higher costs on other domestic industries and consumers.

Australia’s current anti-dumping and countervailing system, which took effect in July 1998, was described in *Trade & Assistance Review 1997-98* (PC 1998).

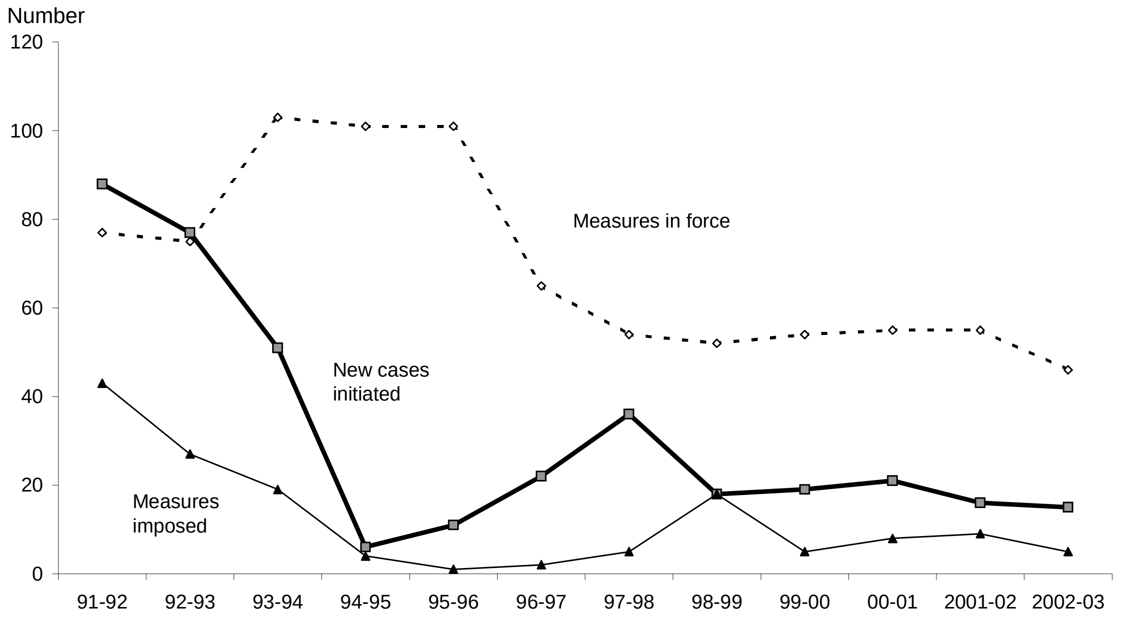
This appendix reports recent anti-dumping and countervailing activity.

Anti-dumping and countervailing activity is shown by three statistics: *initiations*, measures *imposed* and measures *in force* (figure C.1). A case is *initiated* when a complaint of dumping or subsidisation is first made. If after investigation the case is found to have substance, the Customs Minister may *impose* measures to remedy the situation. These measures generally last for five years (though for some cases, measures may be extended at the end of the period) and the stock of these measures at any point is reported as measures *in force*.

Australian trends

The number of Australian *initiations* of anti-dumping and countervailing cases has been relatively stable over the past five years, with 15 cases initiated in 2002-03. Cases initiated in 2002-03 all of which were anti-dumping actions is almost three times that of 1994-95, but only around a quarter of the 1992-93 level. There were no initiations of countervailing cases in 2002-03. Table C.1 lists the anti-dumping cases initiated in 2002-03.

Figure C.1 **Anti-dumping and countervailing activity[a], 1991-92 to 2002-03**



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

Data sources: ACS and Commission estimates.

There were 5 new measures *imposed* in 2002-03, compared to 9 measures imposed in 2001-02.

The total number of measures *in force* has been relatively static over the last five or so years. As of 30 June 2003, there were 46 measures in force — falling slightly from the previous year. This is around half of the roughly 100 measures that were in force between 1994 and 1997.

Table C.1 **New Australian anti-dumping initiations[a], 2002-03**

Commodity	*Exporting economy*
Washing machines	South Korea
High density polyethylene	Belgium, South Korea, Malaysia, Singapore, Sweden, Thailand
Low density polyethylene	South Korea, Thailand
Ambulatory dialysis bag	Germany
Iron & steel mill liners	Canada
Thermoplastic Polyurethanes	Germany, Italy, USA

a Complaints formally initiated by industry. Initiations are defined as actions applying to one commodity from one economy.

Source: ACS.

The *Petroleum, coal, chemical & associated products* industry (mainly chemical and plastic products) has been the largest user of anti-dumping actions recently (table C.2). It also accounted for 11 of the 15 initiations in 2002-03. Multiple initiations by two companies accounted for those initiations concerning polythylene and thermoplastic polyurethanes products.

Table C.2 **Anti-dumping and countervailing cases[a], by industry, 1996-97 to 2001-02**

Industry[b]	*1996-97*	*2002-03*	*7-year period Total*	*7-year period Per cent of total[c]*
Food, beverages and tobacco	–	1	6	4
Textiles, clothing, footwear and leather	–	–	6	4
Wood and paper products	–	–	24	16
Printing, publishing and recorded media	–	–	–	–
Petroleum, coal, chemical and associated products	11	11	65	44
Non-metallic mineral products	6	–	12	8
Metal product manufacturing	2	1	16	11
Machinery and equipment manufacturing	1	2	10	7
Other manufacturing	2	–	8	5
Total	**22**	**15**	**147**	**100**

– Nil. **a** Complaints formally initiated by industry. Cases are defined as actions applying to one commodity from one economy. Cases where dumping and subsidisation are alleged for the same economy and commodity are counted as two distinct initiations. **b** Based on Australian and New Zealand Standard Industry Classification subdivisions. **c** The sum of percentages for individual industries may not equal the total due to rounding.

Source: ACS.

During 2002-03, Australian firms initiated anti-dumping complaints against firms from 10 economies (table C.3). Of the 15 initiated complaints, seven were against firms from Asia, and six were against European firms.

Table C.3 **Australian initiations of anti-dumping and countervailing cases, by trading region and economy[a], 1996-97 to 2002-03**

			7-year period	
Region/economy	*1996-97*	*2002-03*	*Total*	*Per cent* [b]
North America	**1**	***2***	***8***	***5***
Canada	–	1	2	1
United States	1	1	6	4
European Union	***7***	***6***	***39***	***27***
Austria	–	–	2	1
Belgium/Lux	–	1	3	2
Finland	–	–	3	2
France	–	–	3	2
Germany	3	2	9	6
Italy	–	2	5	3
Netherlands	1	–	3	2
Sweden	2	1	5	3
UK	–	–	5	3
Other EU	1	–	1	1
Asia	***9***	***7***	***78***	***53***
China	3	–	13	9
Hong Kong	–	–	1	1
India	1	–	4	3
Indonesia	1	–	14	11
Japan	–	–	4	3
South Korea	–	3	11	6
Malaysia	1	1	6	4
Singapore	–	1	5	3
Thailand	1	2	11	7
Taiwan	2	–	9	7
Other	***5***	–	***22***	***15***
Saudi Arabia	–	–	2	1
South Africa	–	–	4	3
Other	5	–	16	11
Total	**22**	**15**	**147**	**100**

– Nil. **a** Cases are defined as actions applying to one commodity from one economy. Cases where dumping and subsidisation are alleged for the same economy and commodity are counted as two distinct initiations. **b** The sum of the percentages for the individual economies may not add to the regional totals due to rounding.

Source: ACS.

International trends

In 2001-02, Australia accounted for 16 (or 5 per cent) of the 327 anti-dumping and countervailing cases initiated internationally (table C.4). This made Australia the seventh largest user of anti-dumping and countervailing duties in 2001-02 (as opposed to the fifth largest in 1998). The largest users of anti-dumping and countervailing duties in 2000-01 were the United States, the European Union, and India. These countries accounted for 61 per cent of the initiations in 2001-02.

Australia had 60 measures in force in 2001-02. This was 5 per cent of the 1287 measures in force around the world. This left Australia as the seventh largest user of anti-dumping and countervailing duties in terms of the number of measures in force. The United States, the European Union and India accounted for over half of the anti-dumping and countervailing measures in force in 2001-02.

Table C.4 **International anti-dumping and countervailing actions, 2000-2001 and 2001-02**

Country	*Initiation*		*Provisional measures*		*Definitive duties*		*Price undertakings*		*Measures in force*		*Per cent of total measures in force*[c]	
	00-01	*01-02*	*00-01*	*01-02*	*00-01*	*01-02*	*00-01*	*01-02*	*00-01*	*01-02*	*00-01*	*01-02*
US	92	69	47	71	32	49	–	–	284	317	24	25
EU	41	28	20	23	41	23	2	8	238	239	20	19
India	37	76	52	73	41	41	–	1	121	150	10	12
South Africa	24	–	11	22	13	10	–	–	110	101	9	8
Canada	44	–	41	3	14	11	1	–	98	100	8	8
Mexico	4	–	4	5	6	1	–	–	67	61	6	5
Australia	21	16	6	13	4	9	4	–	61	60	5	5
Brazil	10	1	–	–	1	0	3	1	52	53	4	4
Argentina	44	26	8	30	13	28	1	4	48	61	4	5
South Korea	5	–	0	1	1	1	2	–	29	19	2	1
Turkey	2	–	–	–	2	9	–	–	15	24	1	2
New Zealand	5	–	2	0	3	–	–	–	13	8	1	1
12 WTO Members	**329**	**268**	**191**	**241**	**171**	**182**	**13**	**14**	**1136**	**1193**	**95**	**93**
All WTO Members	**339**	**327**	**205**	**262**	**188**	**194**	**17**	**14**	**1191**	**1287**	**100**	**100**

– Nil. **c** The sum of the percentages for individual countries may not equal the total due to rounding.

Source: WTO (2002a) and (2003).

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