

11. MINING AND MINERAL RESOURCES, OTHER THAN FUELS; MANUFACTURING; AND CONSTRUCTION

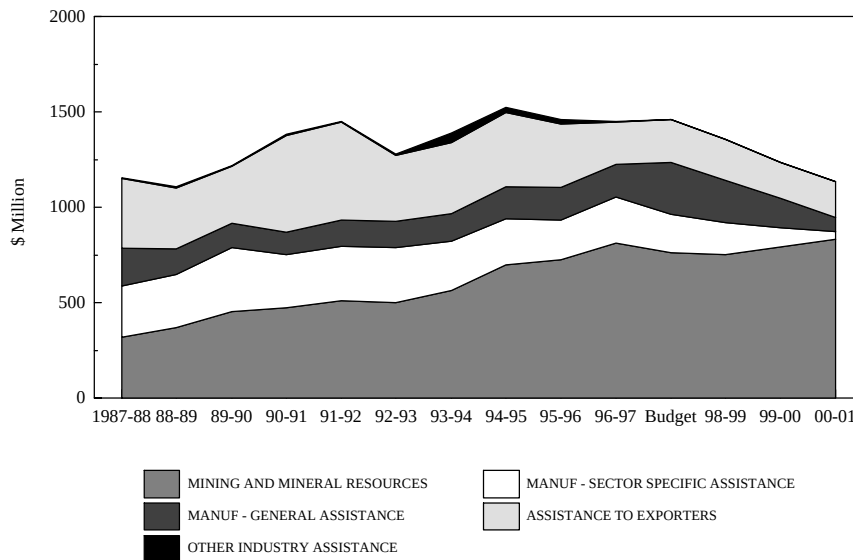
NATURE OF OUTLAYS

Outlays under this function provide assistance to the mining, manufacturing and export sectors, and are designed to improve the efficiency and competitiveness of Australian industries. Assistance is provided in the form of grants, subsidies, rebates, bounties, direct project involvement, and the provision of some services either free of charge or at charges less than the costs involved. All activities relating to mineral fuels, and manufacturing relating to the production of fuel and energy, are classified to 9. *Fuel and Energy*.

This function includes outlays of the following portfolios:

- Foreign Affairs and Trade;
- Industry, Science and Tourism; and
- Primary Industries and Energy.

Chart 1. Overview of Commonwealth Outlays on Mining and Mineral Resources, Other Than Fuels; Manufacturing; and Construction (1989-90 prices)



TRENDS IN MINING AND MINERAL RESOURCES, OTHER THAN FUELS; MANUFACTURING; AND CONSTRUCTION OUTLAYS

Between 1987-88 and 1994-95 outlays increased over the period as a whole. The major factor contributing to this growth was payments to mining operators under the Diesel Fuel Rebate Scheme (DFRS) as a result of growth in the mining sector and widening

coverage of the Scheme, reflecting Administrative Appeals Tribunal and Federal Court rulings.

During this period there were two declines in outlays (1987-88 to 1988-89 and 1991-92 to 1992-93). These were almost entirely due to reductions in assistance to exporters, as revisions to the eligibility criteria for the Export Market Development Grants Scheme (EMDGS) narrowed the coverage of the Scheme.

Between 1994-95 and 1997-98 outlays decreased in most years. This decline is projected to continue throughout the forward estimate period. Major factors contributing to the decline include:

- a move in government policy away from sector specific assistance through the termination of production bounties under the manufacturing subfunction;
- the expiry of some AusIndustry programmes established in 1994-95, under the general assistance classification; and
- the capping of the EMDGS and abolition of several programmes under the assistance to exporters subfunction.

1997-98 AND FORWARD ESTIMATES

		1996-97 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate
11.1 Mining and Mineral Resources	\$m	941.3	900.4	912.5	983.0	1059.3
	%		-4.3	1.3	7.7	7.8
11.2 Manufacturing	\$m	476.9	560.9	470.5	316.4	145.6
	%		17.6	-16.1	-32.8	-54.0
11.3 Assistance to Exporters	\$m	258.3	263.7	258.6	232.1	237.7
	%		2.1	-1.9	-10.2	2.4
11.4 Other Industry Assistance	\$m	4.4	1.7	-	-	-
	%		-61.4	-100.0	na	na
TOTAL	\$m	1680.9	1726.7	1641.6	1531.5	1442.6
	%		2.7	-4.9	-6.7	-5.8

11.1 MINING AND MINERAL RESOURCES

		1996-97 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate
Mining-International Involvement	\$m	0.3	0.3	0.2	0.2	0.2
	%		-	-33.3	-	-
Diesel Fuel Rebate Scheme	\$m	823.4	812.9	870.3	940.3	1015.8
	%		-1.3	7.1	8.0	8.0
Other Mining and Mineral Resources	\$m	117.6	87.2	42.0	42.4	43.3
	%		-25.9	-51.8	1.0	2.1
TOTAL	\$m	941.3	900.4	912.5	983.0	1059.3
	%		-4.3	1.3	7.7	7.8

Diesel Fuel Rebate Scheme

Funding under this Scheme provides for a rebate of excise or customs duty on diesel fuel for eligible mining activities. Legislation to revamp the operation of the Scheme was introduced in Parliament in December 1996. The legislation will reduce overclaiming of the rebate, restrict eligibility, and contain growth in outlays associated

with decisions by the Administrative Appeals Tribunal and the Federal Court to widen eligibility under the Scheme.

Other Mining and Mineral Resources

Outlays under this classification mainly comprise the operating costs of the Australian Geological Survey Organisation. Construction of the new building will be completed in 1997-98, which causes outlays to fall significantly in the forward years.

11.2 MANUFACTURING

		1996-97 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate
Sector Specific Assistance						
Textiles, Clothing and Footwear	\$m	35.9	20.4	18.3	5.9	-
	%		-43.2	-10.3	-67.8	-100.0
Shipbuilding (Bounty)	\$m	18.2	19.1	22.4	1.0	-
	%		4.9	17.3	-95.5	-100.0
Printing (Bounty)	\$m	14.1	3.6	-	-	-
	%		-74.5	-100.0	na	na
Information Technology	\$m	57.8	20.9	1.1	-	-
	%		-63.8	-94.7	-100.0	na
Automotive and Engineering	\$m	5.1	-	-	-	-
	%		-100.0	na	na	na
Pharmaceutical and Food	\$m	147.8	175.1	159.3	120.2	48.6
	%		18.5	-9.0	-24.5	-59.6
Sub-total	\$m	278.9	239.1	201.1	127.1	48.6
	%		-14.3	-15.9	-36.8	-61.8
General Assistance						
Industrial Research and Development	\$m	68.5	164.3	165.8	107.7	20.0
	%		139.9	0.9	-35.0	-81.4
Industry Services	\$m	0.1	-	-	-	-
	%		-100.0	na	na	na
Enterprise Development	\$m	30.9	42.6	13.4	4.4	3.3
	%		37.9	-68.5	-67.2	-25.0
Other Assistance to Manufacturing	\$m	98.6	114.9	90.2	77.2	73.6
	%		16.5	-21.5	-14.4	-4.7
Sub-total	\$m	198.0	321.8	269.4	189.3	96.9
	%		62.5	-16.3	-29.7	-48.8
TOTAL	\$m	476.9	560.9	470.5	316.4	145.6
	%		17.6	-16.1	-32.8	-54.0

Sector Specific Assistance

Textiles, Clothing and Footwear

Assistance to the Textile, Clothing and Footwear (TCF) industry is provided through the TCF Development 2000 package. Outlays also include specific assistance to Australian Leather Holdings Limited.

Shipbuilding, Printing and Information Technology

Assistance to the shipbuilding industry and printing industries has been provided through the payment of bounties. The application of the shipbuilding bounty has been extended to 30 June 1999, at an additional cost of up to \$30.3 million. The bounty will apply to commitments entered into by 31 December 1997. The proposed termination

date for the book printing bounty has been amended to 30 June 1997, which will result in bounty payments in 1997-98 on previous years' production.

Assistance to the information technology industry is provided largely through the computer bounty. The computer bounty will terminate with effect from 1 July 1997.

Pharmaceutical

Assistance to the pharmaceutical industry is provided through the Factor f Scheme. The purpose of the Scheme is to promote the development of the sector by partially compensating pharmaceutical companies for lost activity as a result of price setting arrangements under the Pharmaceutical Benefits Scheme. In return for assistance under the Factor f Scheme, eligible companies are required to meet specified targets on their research and development expenditure and value-added activities.

The current Factor f Scheme ends on 30 June 1999 with the final payments to be made in 1999-2000. A new scheme of assistance to the pharmaceutical industry commences at a reduced level from 1 July 1999.

General Assistance

General assistance is provided through AusIndustry, administered at the Commonwealth level by the Department of Industry, Science and Tourism. AusIndustry provides an entry point for small to medium enterprises accessing different assistance programmes offered by the Commonwealth, States and Territories. It provides assistance through the delivery of advice and referral services, and individual direct management. AusIndustry also provides direct assistance to encourage research and development through grants and commercialisation loans.

Other Assistance to Manufacturing

Outlays consist mainly of administrative costs associated with the Department of Industry, Science and Tourism.

11.3 ASSISTANCE TO EXPORTERS

		1996-97 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate
Export Development Scheme	\$m	175.2	188.3	143.0	121.2	126.1
	%		7.5	-24.1	-15.2	4.0
Export and Trade Promotion	\$m	72.2	106.1	107.2	104.9	103.0
	%		47.0	1.0	-2.1	-1.8
Export Finance Facility	\$m	-4.5	-46.9	-6.4	-6.1	-3.3
	%		na	-86.4	-4.7	-45.9
National Interest Export Business	\$m	15.4	16.2	14.8	12.2	12.0
	%		5.2	-8.6	-17.6	-1.6
TOTAL	\$m	258.3	263.7	258.6	232.1	237.7
	%		2.1	-1.9	-10.2	2.4

Commonwealth assistance to exporters includes direct financial assistance for the development of export markets, information and promotional assistance, finance and insurance services, and the development of trade policy.

Outlays on general assistance to exporters are shown under this subfunction. Export assistance to specific sectors is included under the sub functions which cover those sectors.

Export Development Schemes

The Export Market Development Grants Scheme (EMDGS) administered by the Australian Trade Commission (Austrade) provides financial assistance to Australian companies to secure increased international business and to seek out and develop overseas markets by encouraging increased export promotion. EMDGS outlays are capped. The International Trade Enhancement Scheme and the Innovative Agricultural Marketing Programme, involving loans to exporters, were abolished in the 1996-97 Budget, and loan funds associated with these programmes are returning to the public account.

Export and Trade Promotion

The Commonwealth's funding of Austrade is reflected under this subfunction. Outlays increase in 1997-98 as a result of a one-off reduction in cash balances in 1996-97.

Export Finance Facility

The Export Finance and Insurance Corporation (EFIC) provides loans, insurance and other financial services to support Australian produced exports and overseas investments. Negative outlays in the years shown represent payments to the Government of net interest profits and a capital repayment by EFIC.

National Interest Export Business

EFIC can refer applications for loans, guarantees and contracts of insurance to the Government for consideration on its National Interest Account. EFIC administers the National Interest Account on a fee-for-service basis and on the terms that any revenue is remitted to the Commonwealth and the Commonwealth is liable for the payment of insurance claims or losses incurred through defaults by borrowers.

11.4 OTHER INDUSTRY ASSISTANCE

Assistance under this subfunction provides funding for the provision of obligations under the former National Space Program along with funds for a nationally coordinated programme of building regulatory reform across the Commonwealth, States and Territories.