

INDUSTRY, SCIENCE AND TOURISM

Enhanced assistance to the pharmaceutical industry

Function: Mining and Mineral Resources, other than Fuels; Manufacturing; and Construction

Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.1	0.2	22.7	49.0

Explanation

This measure provides funding for aspects of the Government's final response to the Industry Commission's Inquiry into the Pharmaceutical Industry. It aims to assist the industry through a new scheme of subsidy assistance, to follow on from the existing pharmaceutical industry assistance scheme, known as the Factor f Scheme. The new scheme will run for five years from 1999-2000 at a total cost of \$300 million. This includes running costs commencing in 1997-1998.

The purpose of the follow-on Factor f Scheme is to continue to promote the development of the sector by partially compensating the pharmaceutical industry for the effects on industry growth and development of the price setting arrangements under the Pharmaceutical Benefits Scheme (PBS). In return for assistance under the follow-on Factor f Scheme, participating companies will commit to programmes of industry development and will be required to meet specified targets on their research and development expenditure, and/or production value added.

The *Patents Act 1990* will also be amended to extend the patent term by up to five years for all 20-year standard pharmaceutical patents to provide an effective 15-year patent life. This reform will lead to additional costs to the PBS in the Health and Family Services portfolio (Health function). Costs are difficult to estimate over longer periods, but it is expected that they will commence in 2001-02, rising to around \$160 million in 2005-06. Costs are expected to continue in the range of \$130-150 million thereafter. The extension of the patent term brings Australia in line with major developed countries. It recognises the long lead time required to bring pharmaceutical products to market.

To support the development of the generic pharmaceutical industry, springboarding (that is, the process whereby generic drug companies are permitted to undertake activities to enable them to enter the market as soon as patents expire) will be allowed for those patents granted an extension of term.

INDUSTRY, SCIENCE AND TOURISM

Extension of application of the Shipbuilding Bounty

Function: Mining and Mineral Resources, other than Fuels; Manufacturing; and Construction

Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
8.0	21.3	1.0	0.0

Explanation

Financial assistance to the shipbuilding industry is provided via bounty payments under the *Bounty (Ships) Act 1989* at the rate of 5 per cent of the cost of completed eligible vessels sold on the domestic and export markets. The bounty is intended to improve the competitive position of domestic shipbuilders.

The existing Act provides for the termination of the bounty on 30 June 1997 and requires that a vessel must be completed by that date to be eligible for the bounty.

Following consultation with industry the Government announced on 16 December 1996 that the bounty would be extended by six months to 31 December 1997.

The Government has now decided to extend the application of the shipbuilding bounty at the current 5 per cent rate, at an additional cost to outlays of up to a maximum of \$30.3 million. The bounty will apply to commitments entered into by 31 December 1997. Construction of vessels must be at least 50 per cent completed by 30 June 1999 for eligibility purposes. This measure will more closely align assistance to the Australian shipbuilding industry with key overseas competitors.

INDUSTRY, SCIENCE AND TOURISM

Monitoring telecommunications industry development

Function: Mining and Mineral Resources, other than Fuels; Manufacturing; and Construction

Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.6	0.7	0.8	0.9

Explanation

This measure provides funding to cover the costs of monitoring the discharge by the telecommunications carriers of their industry development obligations. Under the Government's post-1997 telecommunications regime, set out in the *Telecommunications Act 1997*, all carriers are required to develop and implement an industry development plan and report annually against these plans to the Minister for Industry, Science and Tourism. These plans will detail the carriers' commitment to industries involved in the manufacture, development or supply of telecommunications service facilities, along with research and development activities for these industries.

The Department of Industry, Science and Tourism will monitor the performance of each licensed carrier against their industry plan and report annually to the Minister.

The *Telecommunications (Carrier Licence Charges) Act 1997* will be amended to allow the cost of monitoring industry development plans to be recovered from the telecommunications carriers through an increase to annual licensing charges. The cross-referencing revenue measure for this initiative is titled: 'Licence charges payable by telecommunications carriers to meet costs of monitoring industry development' (see Part II).

INDUSTRY, SCIENCE AND TOURISM

Facilitation of small and medium sized enterprises - Supplier access to major projects

Function: Mining and Mineral Resources, other than Fuels; Manufacturing; and Construction

Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.8	0.6	0.4	0.4

Explanation

This measure will facilitate access by competitive Australian suppliers at the pre-tender stage to major private and public sector projects, and help to identify supplier prospects in relation to the supply of goods and services currently imported. The cost of this measure to the Commonwealth diminishes in the later years because of increased cost recovery levels.

It recognises that managers of major projects have difficulties in identifying Australian firms, especially small and medium sized enterprises (SMEs), that are capable of fulfilling project requirements. By working with both contract managers and potential suppliers, this programme will act to encourage competition and the formation of business relationships early in the purchasing process.

The programme will be managed by ISONET Limited for the State-based Industrial Supplies Office (ISO) network. The ISO network has an Australia-wide knowledge of industry capacity, which it uses to match the needs of project managers to the expertise of Australian suppliers.

The measure is also consistent with the Government's pre-election commitment to assist SMEs to access government purchasing contracts.

INDUSTRY, SCIENCE AND TOURISM

Savings in the Department of Industry, Science and Tourism running costs to fund the 'Facilitation of small and medium sized enterprises - Supplier access to major projects'

Function: Mining and Mineral Resources, other than Fuels; Manufacturing; and Construction

Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-0.8	-0.6	-0.4	-0.4

Explanation

This measure provides offsetting reductions in outlays from the Department's running costs to fund the measure titled 'Facilitation of small and medium sized enterprises - Supplier access to major projects'.

INDUSTRY, SCIENCE AND TOURISM

More Time for Business - Government's Small Business Statement

Function: Health, Financial and Fiscal Affairs, Other Economic Affairs, nec, Mining and Mineral Resources, other than Fuels; Manufacturing; and Construction

Financial Implications (\$m)

	1997-98	1998-99	1999-00	2000-01
Health and Family Services	0.3	0.0	0.0	0.0
Industry, Science and Tourism	4.7	8.2	5.1	4.5
Treasury	1.8	0.6	0.3	0.3
TOTAL	6.8	8.8	5.4	4.8

Explanation

This measure provides funding for some aspects of the Government's Small Business Statement, *More Time for Business*. The Government responded to the 62 recommendations of the Small Business Deregulation Taskforce designed to streamline government regulations, simplify the taxation system, introduce flexibility into Australia's employment culture, streamline collection of business statistics and change the regulatory culture. See related revenue measures titled: 'Fringe benefits tax - small business', 'CGT rollover relief for small business', 'CGT exemption on the sale of small business for retirement - extension to companies and trusts' and 'Small Business Deregulation Task Force - pay as you go proposal' (see Part II).

The Government provided additional funding for the following initiatives:

- A national business information service that will provide small business with comprehensive coverage of government business information. The service will provide business licensing and regulatory information across all three levels of

government; consolidation of commonly needed licences into one form; government information such as taxation and record keeping requirements and industrial relations and other employer obligations; and a mechanism for dealing with regulatory complaints (\$21.8 million across the four years from 1997-98);

- A single point of entry to all levels of government. This will be a staged approach, and as a first step the Government will introduce a single process for the initial registration requirements of the Australian Taxation Office (ATO), the Australian Securities Commission, the Australian Bureau of Statistics and the Insurance and Superannuation Commission. The Commonwealth project will, as far as practicable, be integrated with State-based single entry point projects (\$1.6 million in 1997-98);
- Development by the ATO of a combined statement for all withholding taxes to replace the three current forms, and reduce paperwork for small business (\$0.1 million in 1997-98);
- A review of tax penalty arrangements to be undertaken by the ATO with a view to rationalising and simplifying them (\$0.2 million in 1997-98); and
- A central clearance process for all statistics collected by government. This will reduce duplication and eliminate poor-quality requests for data, and increase knowledge of surveys that have already been undertaken (approximately \$1.8 million across the four years from 1997-98).

In addition, existing portfolio funds will be redirected in the Industry, Science and Tourism, and Health and Family Services portfolios to provide for the following initiatives:

- The creation of the Small Business Innovation Fund to provide venture capital for small technology based companies involved in the commercialisation of research and development. The Government will provide \$130 million from funds allocated to the R&D *Start* programme. The Government's contribution is expected to be matched by private capital on a 2 for 1 basis to create a pool of available funds of around \$200 million;
- Creation of an electronic claim lodgement and payment system for the Pharmaceuticals Benefits Scheme (\$3.1 million in 1997-98 and 1998-99); and
- A Review of Food Regulations aimed at finding ways to reduce the regulatory burden on the food industry and to streamline the surveillance and enforcement roles of the various levels of government (\$0.7 million in 1997-98, of which \$0.3 million is provided in the Budget and the balance from a redirection of existing resources from a number of departments).

The following table summarises the initiatives by portfolio:

Portfolio	97-98	98-99	99-00	00-01
	\$m	\$m	\$m	\$m
Industry, Science and Tourism				
Business Information Service	4.0	8.2	5.1	4.5
Single Entry Point to Government	0.7	0.0	0.0	0.0
Small Business Innovation Fund*	20.0	60.0	50.0	0.0
Portfolio Total	24.7	68.2	55.1	4.5
Treasury				
Single Entry Point to Government	0.9	0.0	0.0	0.0
Single Compliance Statement for all Withholding Taxes	0.1	0.0	0.0	0.0
Review of Tax Penalty Arrangements	0.2	0.0	0.0	0.0
Statistical Clearing Process	0.6	0.6	0.3	0.3
Portfolio Total	1.8	0.6	0.3	0.3
Health and Family Services				
Electronic claim lodgement and payment system for the Pharmaceutical Benefits Scheme*	2.2	0.9	0.0	0.0
Review of Food Regulations**	0.7	0.0	0.0	0.0
Portfolio Total	2.9	0.9	0.0	0.0
TOTAL OUTLAYS	29.4	69.7	55.4	4.8

Notes:

* represents redirection of existing portfolio resources

** \$0.3 million from budget, balance from redirection of existing running cost resources across a number of portfolios

Further information on the Government's small business initiatives can be found in the Prime Minister's Statement, *More Time for Business*, 24 March 1997.

INDUSTRY, SCIENCE AND TOURISM

Australian Leather Holdings Ltd Package

Function: Mining and Mineral Resources, other than Fuels; Manufacturing; and Construction

Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
12.5	12.5	0.0	0.0

Explanation

A package of alternative assistance to Australian Leather Holdings Ltd was approved in February 1997 following the agreement reached with the United States to remove automotive leather from eligibility under the Textile, Clothing and Footwear import credit scheme and the Passenger Motor Vehicle export facilitation scheme. The package includes grant assistance up to the value of \$30 million paid in over three years from February 1997 (\$5 million paid in 1996-97), calculated at 5 per cent of estimated sales over the period April 1997 to December 2000, along with the provision of a 15 year loan of \$25 million drawn down during 1996-97, which is to be fully repaid with

interest. The loan is treated as a net advance and hence does not impact on the underlying deficit.

INDUSTRY, SCIENCE AND TOURISM

Funding for Gene Technology Regulation

Function: Mining and Mineral Resources, other than Fuels; Manufacturing; and Construction

Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
1.3	1.1	0.0	0.0

Explanation

These funds provide for the extension of funding for two years of the existing Genetic Manipulation Advisory Committee (GMAC) and additional funding for associated consultation activities. GMAC issues guidelines for contained research, field trials and the general release of genetically modified organisms (GMOs) into the environment. The increasing production and use of GMO-based products and the satisfactory management of the associated risks to health and the environment, require a balanced programme of regulation. Funding for 1999-2000 and subsequent years will be considered in conjunction with a review of the existing voluntary regulatory regime and the GMAC framework over the next 12 months.

INDUSTRY, SCIENCE AND TOURISM

Replacement and upgrade of Customs Marine Fleet

Function: Financial and Fiscal Affairs

Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
5.2	5.0	7.0	8.7

Explanation

The current Customs Marine Fleet of six sea-going vessels, ranging from 20 to 25 metres, will be replaced with eight new vessels, ranging from around 30 to 35 metres. In this measure, funding of the vessels is based on a 10-year finance lease with purchase of the vessels at the end of the period. The annual lease payments and running costs for additional crew and operational staff are included in the funding for the measure.

The Marine Fleet provides surveillance and response capabilities to protect Australia's borders from the illegal movement of people and goods. The fleet services Commonwealth agencies, including the Australian Customs Service, the Australian Fisheries Management Authority, the Australian Maritime Safety Authority, the Department of Immigration and Multicultural Affairs, and the Australian Quarantine

Inspection Service. In addition, the Marine Fleet undertakes activities for some State government agencies.

Greater demands are being placed on the fleet by client agencies due to:

- increased cross border illegal movement of people and goods at points outside of capital cities and major towns; and
- the extension of client jurisdiction to the Exclusive Economic Zone.

Replacement and upgrade of the Marine Fleet will enhance surveillance and response capabilities, enabling the current tasking levels from client agencies to be met more effectively and efficiently. The addition of two vessels to the fleet will increase sea going days by approximately 300 a year (the fleet currently provides 1,000 sea days a year) and improve operational response times. The larger vessels will have the capacity to operate in conditions outside the capacity of the existing fleet, and improve the occupational health and safety of crew members and client agency personnel.

INDUSTRY SCIENCE AND TOURISM

Increased running costs associated with measures to reduce fuel substitution

Function: Financial and Fiscal Affairs

Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
1.4	1.5	1.6	1.6

Explanation

The running costs of the Australian Customs Service will be increased to cover the costs of administering measures to reduce fuel substitution.

A chemical tracer (a marker dye or colourless marker) will be added to concessionally taxed fuel and tax free products just prior to their leaving Customs' control and entering the petroleum distribution system. The chemical tracer will enable Customs to verify that concessionally taxed fuel is being used only for purposes for which the concession is intended. The additional running costs will allow Customs to monitor the concessionally taxed fuel, investigate where fuel substitution is detected, and take necessary action. Industry will bear the costs of the chemicals, of equipment required to inject the chemicals into the concessionally taxed fuel, and of any extra storage capacity.

Legislation will be put in place to give Customs the additional powers required to implement the measure. The following legislation will be amended: the *Customs Act 1901*, the *Customs Tariff Act 1995*, the *Excise Act 1901*, and the *Excise Tariff Act 1921*.

Additional excise revenue from the fuel substitution measure is estimated to be in the order of \$12.5 million in 1997-98 and \$25 million a year in 1998-99, 1999-2000 and 2000-01. See Part II and the measure titled: 'Revenue savings through fuel substitution minimisation' for further details.

INDUSTRY, SCIENCE AND TOURISM

Savings in Office of National Tourism running costs

Function: Mining and Mineral Resources, other than Fuels; Manufacturing; and Construction

Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-0.7	-0.3	-0.1	0.0

Explanation

Savings will be achieved by rationalising the administrative functions of the Office of National Tourism in the Department of Industry, Science and Tourism. Savings decline in 1999-2000 and 2000-01 in recognition of the increased activity in the lead up to the Sydney Olympics.

INDUSTRY, SCIENCE AND TOURISM

Savings from Cooperative Research Centres Programme

Function: General Research

Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-1.0	-9.2	0.0	0.0

Explanation

Cooperative Research Centres (CRCs) are long-term collaborative ventures between universities, Commonwealth and State Government research agencies, and private firms. The Commonwealth funds around 74 per cent of the CRC Programme, both through direct grants to Centres and indirectly through other Commonwealth agencies. The Government has decided to reduce its direct contribution to the programme in 1997-98 and 1998-99, and to undertake a review on how Centres can increase the commercialisation of research activities and become more self-funding.

INDUSTRY SCIENCE AND TOURISM

Increased efficiency dividend on Industry, Science and Tourism portfolio running costs

Function: Other Economic Affairs, nec, Tourism and Area Promotion, General Research, Mining and Mineral Resources, other than Fuels; Manufacturing; and Construction

Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-2.8	-2.9	-2.9	-2.9

Explanation

Currently most budget-funded agencies pay an efficiency dividend of 1 per cent a year (ongoing) of their total running costs, unless specifically exempted by Cabinet.

This measure recognises that the Industry, Science and Tourism portfolio is making efficiency gains and that some of the returns from these efficiencies will be made available to the Budget for allocation to higher priority areas.

This measure applies a one-off additional 1 per cent efficiency dividend to the base running costs of the Industry, Science and Tourism portfolio in 1997-98. This reduction rolls through to also reduce the base running costs of the forward estimates.

The Australian Customs Service has been exempted from this measure because of specific running cost reductions it incurred in the 1996-97 Budget.