

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

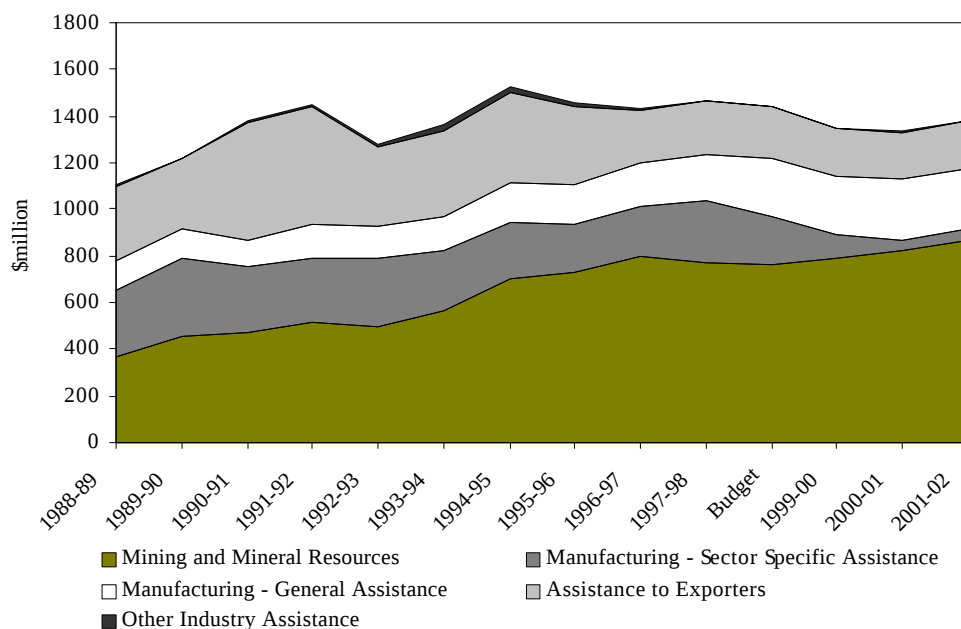
NATURE OF OUTLAYS

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 1988-89 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.

The decline in outlays between 1991-92 and 1992-93 is 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 until 2000-01. 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 enterprise improvement 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.

These reductions have been partially offset by significant increases in funding for the R&D START and other industry innovation programmes announced by the Government in *Investing for Growth*.

The increase in outlays between 2000-01 and 2001-02 is largely due to projected increases in rebates to mining operators under DFRS.

1998-99 AND FORWARD ESTIMATES

		1997-98 Estimate	1998-99 Budget	1999-00 Estimate	2000-01 Estimate	2001-02 Estimate
11.1	Mining and Mineral Resources	\$m 905.1	920.5	971.9	1046.6	1127.3
		%	1.7	5.6	7.7	7.7
11.2	Manufacturing	\$m 542.2	551.5	442.7	393.1	405.4
		%	1.7	-19.7	-11.2	3.1
11.3	Assistance to Exporters	\$m 271.0	266.7	247.9	253.1	260.3
		%	-1.6	-7.0	2.1	2.8
11.4	Other Industry Assistance	\$m 1.7	2.8	2.8	1.7	1.8
		%	64.7	na	-39.3	5.9
	TOTAL	\$m 1719.9	1741.5	1665.3	1694.5	1794.8
		%	1.3	-4.4	1.8	5.9

11.1 MINING AND MINERAL RESOURCES

		1997-98 Estimate	1998-99 Budget	1999-00 Estimate	2000-01 Estimate	2001-02 Estimate
Mining-International Involvement	\$m	0.3	0.3	0.3	0.3	0.3
	%		na	na	na	na
Diesel Fuel Rebate Scheme	\$m	815.7	865.7	934.4	1008.3	1088.0
	%		6.1	7.9	7.9	7.9
Other Mining and Mineral Resources	\$m	89.0	54.5	37.2	38.0	39.0
	%		-38.8	-31.7	2.2	2.6
TOTAL	\$m	905.1	920.5	971.9	1046.6	1127.3
	%		1.7	5.6	7.7	7.7

Diesel Fuel Rebate Scheme

Funding under this Scheme provides for a rebate of excise or customs duty on diesel fuel for eligible activities. Information on aggregate revenue from the petroleum products excise duty and customs duty is presented in Table 4 of Statement 5 - Revenue. Revenue collected in total from the sector as pre-paid excise or customs duty exceeds the rebate paid.

Legislation to modify the operation of the Scheme received Royal Assent on 30 June 1997. The legislation, which came into effect in two stages, aims to reduce overclaiming of the rebate, restrict eligibility, and contain potential growth in outlays associated with decisions by the Administrative Appeals Tribunal and the Federal Court which had the effect of widening eligibility under the Scheme. The first stage, effective from 1 August 1997, dealt with changes to the eligibility criteria of the Scheme's mining category. The second stage, effective from 1 January 1998, dealt with administration and accountability of the whole scheme.

Other Mining and Mineral Resources

Outlays under this classification mainly comprise the operating costs of the Australian Geological Survey Organisation.

11.2 MANUFACTURING

		1997-98 Estimate	1998-99 Budget	1999-00 Estimate	2000-01 Estimate	2001-02 Estimate
Sector Specific Assistance						
Textiles, Clothing and Footwear	\$m	21.1	19.6	5.8	4.0	4.1
	%		-7.1	-70.4	-31.0	2.5
Shipbuilding (Bounty)	\$m	22.1	22.3	1.0	-	-
	%		0.9	-95.5	-100.0	na
Printing (Bounty)	\$m	7.9	1.0	-	-	-
	%		-87.3	-100.0	na	na
Information Technology	\$m	84.1	47.1	6.0	6.0	6.1
	%		-44.0	-87.3	na	1.7
Automotive and Engineering	\$m	5.2	2.0	-	-	-
	%		-61.5	-100.0	na	na
Pharmaceutical and Food	\$m	175.1	159.3	120.2	48.6	55.6
	%		-9.0	-24.5	-59.6	14.4
Sub-total	\$m	315.5	251.3	133.1	58.7	65.8
	%		-20.3	-47.0	-55.9	12.1
General Assistance						
Industrial Research and Development	\$m	109.6	142.2	191.3	209.4	220.4
	%		29.7	34.5	9.5	5.3
Enterprise Development	\$m	38.4	19.3	7.8	6.8	1.3
	%		-49.7	-59.6	-12.8	-80.9
Other Assistance to Manufacturing	\$m	78.6	138.7	110.5	118.2	118.0
	%		76.5	-20.3	7.0	-0.2
Sub-total	\$m	226.7	300.2	309.6	334.4	339.7
	%		32.4	3.1	8.0	1.6
TOTAL	\$m	542.2	551.5	442.7	393.1	405.4
	%		1.7	-19.7	-11.2	3.1

Sector Specific Assistance

Textiles, Clothing and Footwear

Assistance to the Textile, Clothing and Footwear (TCF) industry is provided through the TCF Development 2000 package and the post 2000 measures announced by the Government in 1997. Outlays also include specific assistance to Australian Leather Holdings Limited.

Shipbuilding, Printing and Information Technology

Assistance to the shipbuilding industry, printing and information technology industries has been provided through the payment of bounties. The application of the shipbuilding bounty has been extended to 30 June 1999. It will apply to vessels which were under construction or subject to firm commitment by 31 December 1997. The book printing bounty was terminated on 31 December 1997. The computer bounty was terminated on 1 July 1997.

Pharmaceutical and Food

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.

The Agri-food Industry Programme ceases on 30 June 1998.

General Assistance

General assistance is provided through AusIndustry, which provides an entry point for small to medium enterprises accessing different assistance programmes offered by the Commonwealth, States and Territories. AusIndustry provides direct assistance to encourage research and development through grants and commercialisation loans. AusIndustry also provides assistance through the Enterprise development program for the delivery of advice and referral services, and individual direct management for small to medium enterprises.

Industrial Research and Development

Outlays under this classification provide assistance to industry for research and development. The R&D START programme provides grants and loans for eligible R&D activities. The Innovation Investment Fund (IIF) provides venture capital to small technology based companies commercialising R&D. The Government announced significant increases for these and other innovation programmes in *Investing for Growth*.

Other Assistance to Manufacturing

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

11.3 ASSISTANCE TO EXPORTERS

		1997-98	1998-99	1999-00	2000-01	2001-02
		Estimate	Budget	Estimate	Estimate	Estimate
Export Development Scheme	\$m	160.3	146.2	124.7	129.6	137.6
	%		-8.8	-14.7	3.9	6.2
Export and Trade Promotion	\$m	106.8	130.1	117.1	114.8	114.0
	%		21.8	-10.0	-2.0	-0.7
Export Finance Facility	\$m	-10.8	-26.1	-6.1	-3.3	-3.3
	%		141.7	-76.6	-45.9	na
National Interest Export Business	\$m	14.7	16.5	12.2	12.0	12.0
	%		12.2	-26.1	-1.6	na
TOTAL	\$m	271.0	266.7	247.9	253.1	260.3
	%		-1.6	-7.0	2.1	2.8

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 that 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 funds associated with these programmes are being repaid.

Export and Trade Promotion

The Commonwealth's funding of Austrade is reflected under this subfunction.

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 on loans provided to exporters.

National Interest Export Business

EFIC can refer applications for loans, guarantees and contracts of insurance to the Government for consideration on the Government's 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.