

WORLD TRADE ORGANIZATION

G/SCM/Q2/AUS/22
18 September 2002

(02-4982)

Committee on Subsidies
and Countervailing Measures

Original: English

SUBSIDIES

Replies to Questions Posed by the EUROPEAN COMMUNITIES¹ Regarding the New and Full Notification of AUSTRALIA²

The following communication, dated 17 September 2002, has been received from the Permanent Mission of Australia.

A. GENERAL QUESTION

All schemes (except IV PASSENGER MOTOR VEHICLES), point 2: which is exactly the period covered, i.e. which months are covered by FY 2000/2001?

Reply

Financial year 2000/2001 covers the months from 1 July 2000 through to 30 June 2001.

B. QUESTIONS ON FEDERAL PROGRAMMES

I.(a) Printing industry competitiveness scheme

Point 4: Is the Budget Paper No. 2, 1999-2000 the only legal basis? If not, please indicate the legislation on which the scheme is based. Which is the administration/authority deciding on the subsidies allocated under this scheme?

Reply

The scheme is not legislatively based. It is an administrative scheme which is delivered by AusIndustry.

Point 9: How many of the 87 book printing firms that have made claims under the scheme have actually benefited from it? Does the remark "the bulk of book production is destined for the domestic market" mean that there are no trade effects?

¹ G/SCM/Q2/AUS/21

² G/SCM/N/71/AUS & Corr.1

Reply

Generally speaking, all firms making eligible claims would have been paid. The Government announced on 14 May the early closure of the scheme. Claims made by 14 May 2002 for the production of books before 30 June 2002 would be processed. The Government is not aware of any trade effects.

I.(b) Book Production – Enhanced Printing Industry Competitiveness Scheme (EPICS) Grants

Point 4: Which is the administration/authority deciding on the grants allocated under this scheme?

Reply

AusIndustry.

Point 5: Which are the eligibility criteria?

Reply

Australian incorporated companies or partnerships with demonstrated commitment to book production are eligible to apply for funding.

Point 9: How many of the 100 book production firms that may qualify for assistance have actually benefited from the scheme? Does the remark “the bulk of book production is destined for the domestic market” mean that there are no trade effects?

Reply

104 firms have benefited from the scheme. The Government announced the early closure of the scheme on 14 May 2002. The Government is not aware of any trade effects.

II. DAIRY

Point 6: Which are the eligibility criteria?

Reply

The funding is provided to dairy producers who could prove that they delivered milk during financial year 1998/1999 (i.e. 1 July - 30 June).

Point 7: Is the amount of \$A 200,669 mentioned under point 8 (statistical information) the annual amount budgeted for this scheme?

Reply

Total product specific AMS in financial year 2000/2001 is just over AUD 200 million. The Dairy Industry Adjustment Package (DIAP) includes payments of AUD 1.63 billion (the Dairy Structural Adjustment Package) paid in equal quarterly instalments over an eight year period ending 30 June 2008. In addition to this amount AUD 119 million has been allocated in financial year 2000/2001 as additional market milk payments.

Point 8: Is it correct that ML equals million litres?

Reply

Yes. ML equals million litres. Milk production in financial year 2000/2001 is in excess of 10 billion litres.

III. INVEST AUSTRALIA (a)

Point 4: Which is the legislation under which this subsidy is granted?

Reply

There is no legislation covering the Strategic Investment Coordination (SIC) process. Requests for assistance under the SIC process are considered on a case by case basis. Funding is allocated through the Budget Appropriation Bills in relevant years.

Point 5: To which taxes does the tax relief relate? Which infrastructure services may be granted?

Reply

No tax relief was granted in FY 2000/2001.

Emphasis is on common-use infrastructure such as roads, water supply, gas supply and power generation and distribution.

Point 7: Could you give a breakdown per subsidy type (grants, tax relief, provision of

Reply

The latest estimate of payments under the SIC process in FY 2000/2001 is AUD 54.5 million of which AUD 35 million is currently held in escrow. The breakdown per subsidy type is as follows: Grants: AUD 4.5 million; Loan: AUD 20 million (in escrow); Purchase of technology license: AUD 30 million (AUD 15 million in escrow).

Point 8: What is the start date and the duration of the programme?

Reply

The programme commenced in December 1997. It is an ongoing programme.

III. INVEST AUSTRALIA b)

Point 4: Is the decision by Commonwealth and State Trade and Industry Ministers the only legal basis? If not, please indicate the other legal bases. Which is the administration/authority deciding on the subsidy allocated under this scheme?

Reply

Yes, the decision by Commonwealth and State Trade and Industry Ministers in 1990 was the legal basis for establishing the programme. There is no supporting legislation.

Invest Australia was the administration/authority which assessed grant applicants. Funding was appropriated in the Commonwealth Budget.

Point 8: Could you indicate the start date and the duration of the programme?

Reply

The programme commenced in 1990 and finished on 30 June 2002.

IV. PASSENGER MOTOR VEHICLES

Point 4: Which is the administration/authority deciding on the subsidies allocated under this scheme?

Reply

The administration/authority deciding on the subsidies allocated under this scheme is the Department of Industry, Tourism and Resources in accordance with the Automotive Competitiveness and Investment Scheme (ACIS) legislation.

V. PHARMACEUTICAL

Point 4: Please indicate the legal basis and the administration/authority deciding on the subsidies allocated under this scheme.

Reply

The Pharmaceutical Industry Investment Programme (PIIP) has a contractual rather than legislative basis. The programme is administered by the Pharmaceutical Benefits Pricing Authority.

VI. SHIPBUILDING

(a) and (b), Point 4: Which is the administration/authority deciding on the subsidies allocated under this scheme?

Reply

The background and authority for the shipbuilding bounty and the Shipbuilding Innovation Scheme is the *Bounty (Ships) Amendment Act* (No. 14, 1999). Both programmes are administered by AusIndustry.

(a) Point 7: Is it possible to indicate the amount in \$A of subsidy per unit? Could you alternatively provide the total amount or the annual amount budgeted for that subsidy? Are the figures mentioned under point 9 (statistical information) the annual payments for that programme? Which period do 1998-99, 1999-00, 2000-01 exactly refer to?

Reply

The subsidy amount per unit cannot be given as the amounts are variable across a wide range - as this is an entitlement scheme the annual budget is only a best estimate and the relevant figures for this period are the actual payments (at point 9). The figures at point 9 are the annual payments for the programme. The periods 1998-99, 1999-2000 and 2000-2001 refer to financial years running from 1 July to 30 June the following year.

(b) Point 7: To which period do 1999-00 and 2000-01 refer to exactly?

Reply

Period 1999-2000 refers to 1 July 1999 to 30 June 2000. Period 2000-2001 refers to 1 July 2000 to 30 June 2001.

(a) Point 8: Are the rules applying to the phasing out arrangement the same as the ones that were applied to the scheme described? If not, please describe any differences.

Reply

The rules for the phasing out arrangement are as described at Point 8.

VII. TEXTILES, CLOTHING & FOOTWEAR

Point 4: Which is the administration/authority deciding on the subsidies allocated under this scheme?

Reply

The Textiles, Clothing and Footwear Strategic Investment Programme (TCF SIP) is administered by the Department of Industry, Tourism and Resources. Authority for the programme is the *Textile, Clothing and Footwear Strategic Investment Programme Act 1999* (No. 182, 1999).

VIII. WHEAT

Point 4: Is the Budgetary Appropriations Bill Number 2 the only legal basis? If not, please indicate the legislation on which the scheme is based.

Reply

Yes. Funding is generated annually through this Appropriations Bill.

Point 8: Please indicate the start date and the duration of the programme.

Reply

This programme was introduced in 1989 and is currently funded until 30 June 2003. Funding after this date is reliant on the outcome of the Government review of this scheme.

C. QUESTIONS ON SUB-FEDERAL PROGRAMMES

ACTBIS

Point 4: It is stated that there is no specific legislation that this scheme is based on. Which is the administration/authority that decided the establishment of the scheme and which is the administration/authority deciding on the subsidies allocated under this scheme?

Reply

The ACT Government is the authority that established the scheme. The Scheme is administered by the Chief Minister's Department which determines the allocation of subsidies.

Point 5: If the tax concessions do not only relate to payroll taxes, to which other taxes do they relate to? Please define “training and workforce development” and “other forms of assistance”.

Reply

The main forms of assistance available under the scheme are waivers or concessions on stamp duty and payroll tax, land discounts and the provision of infrastructure. As clients' needs differ widely, there is also some built-in flexibility with regard to the types of other assistance that may be offered. Depending on client needs, this may include provision of a range of specific training programmes, including workforce and skills development programmes, at no cost to the client.

Point 6: Please specify “suitability of the industry to the ACT”.

Reply

“Suitability of the industry to the ACT” reflects the programme's economic development objectives. It is the ACT Government's intention to target assistance to industry sectors in which the ACT has a natural or strategic advantage. “Suitability” is also assessed with regard to whether prospective applicants pose any undue detriment to the survival of existing ACT businesses.

Point 7: Is it possible to indicate the amount in \$A of subsidy per unit? Alternatively, please indicate the total amount or the annual amount budgeted for that subsidy.

Reply

The annual budget for this programme has been reflected in the table on page 14 of G/SCM/N/71/AUS.

Point 8: Please indicate the start date. Does the indication “the programme is ongoing” mean that it is unlimited? If not, please indicate the end date.

Reply

ACTBIS was established in financial year 1995/1996. The scheme was replaced by the ACT Business Incentive Fund (ACT BIF) in 2001. Unlike ACTBIS, there are no cash grants available under ACT BIF. The revised scheme commenced in financial year 2001/2002. While no end date is specified, the programme may be subject to future review in line with broader government priorities and objectives.

NEW SOUTH WALES IAF

Point 5: To which taxes do the rebates granted relate and how are the rebates calculated? Could you explain why this tax rebate is considered to be revenue neutral?

Reply

Partial rebates of State taxes are provided to some projects. The rebates are limited to a proportion of the State tax paid by the project and are for a limited time, usually between two and five years. The taxes that may be considered for rebates include Payroll tax and Stamp Duty (i.e. conveyancing duty).

Rebates are calculated on a case-by-case basis using economic and financial modelling. Only around 25 per cent of projects receive financial assistance. This equates to around ten projects per year.

Rebates are said to be revenue neutral because their provision does not cost the State money. The rebates are always less than the amount of tax received from the project. Rebates are only provided to projects which would otherwise not establish in New South Wales. Therefore a proportion of revenue, which would not otherwise be received, is rebated. Therefore the rebate is at no cost to the budget.

Point 7: Is it possible to indicate the amount in \$A of subsidy per unit? Alternatively, please indicate the total amount or the annual amount budgeted for that subsidy.

Reply

The annual budget for this programme has been reflected in the table on page 14 of G/SCM/N/71/AUS.

Point 8: Please indicate the start date. Does the indication “the programme is ongoing” mean that it is unlimited? If not, please indicate the end date.

Reply

The Industries Assistance Fund (IAF) is ongoing under statute. It is limited by the annual budget provision by Parliament.

NEW SOUTH WALES Regional Business Development Scheme

Point 4: It is stated that there is no specific legislation that this scheme is based on. Which is the administration/authority that decided the establishment of the scheme?

Reply

The Regional Business Development Scheme is a discretionary function of the Department of State and Regional Development.

Point 7: The information given seems to relate to a series of schemes of which the Regional Business Development Scheme was only one. Is it possible to indicate the amount in \$A of subsidy per unit for this particular scheme? Alternatively, please indicate the total amount or the annual amount budgeted for that subsidy.

Reply

The Regional Business Development Scheme did not have a separate allocation in financial year 2000/2001.

Point 8: Please indicate the start date. Does the indication “the programme is ongoing” mean that it is unlimited? If not, please indicate the end date.

Reply

The Regional Business Development Scheme was introduced in 1989. It is ongoing which means that there is no end date specified.

NORTHERN TERRITORY Industry and Business Assistance

Point 4: It is stated that there is no specific legislation that this scheme is based on. Which is the administration/authority that decided the establishment of the scheme?

Reply

The authority for this scheme is based on the NT Administrative Arrangements Order and on case-by-case Ministerial and Government approval.

Point 7: Is it possible to indicate the amount in \$A of subsidy per unit? Alternatively, please indicate the total amount or the annual amount budgeted for that subsidy.

Reply

The annual budget for this programme has been reflected in the table on page 14 of G/SCM/N/71/AUS.

Point 8: Please indicate the start date. Does the indication “the programme is ongoing” mean that it is unlimited? If not, please indicate the end date.

Reply

The programme has no defined end date. It is subject to annual budget allocation, eligible projects and specific Ministerial approvals.

QUEENSLAND, QIIS

Point 4: It is stated that there is no specific legislation that this scheme is based on. Which is the administration/authority that decided the establishment of the scheme?

Reply

The Queensland Investment Incentives Scheme is an administrative arrangement under the authority of the Director-General of the Department of State Development.

Point 6: Which are the eligibility criteria?

Reply

Financial incentives are only provided in a small number of cases for the location of major projects and strategic investments in Queensland. To be eligible under this programme, a company or project must:

- Promote the competitive base of the State economy
- Provide a significant net economic benefit to the State
- Demonstrate commercial viability in the absence of incentives
- Demonstrate a need by the Government to provide support to overcome a short-term impediment to a project's development in Queensland
- Demonstrate no significant detriment to and/or substitution for existing businesses in Queensland.

Point 7: Is it possible to indicate the amount in \$A of subsidy per unit? Alternatively, please indicate the total amount or the annual amount budgeted for that subsidy.

Reply

The annual budget for this programme has been reflected in the table on page 14 of G/SCM/N/71/AUS.

Point 8: Please indicate the start date.

SOUTH AUSTRALIA Industry Investment Attraction Fund

Point 4: Which is the administration/authority deciding on the subsidies allocated under this scheme?

Reply

The South Australian Cabinet (Executive Government) approves assistance over AUD 4 million. Below that amount, authority rests with the Minister for Industry, Investment and Trade. The Office of Economic Development can administer assistance, within the scheme, up to the value of AUD 200,000.

Point 7: Is it possible to indicate the amount in \$A of subsidy per unit? Alternatively, please indicate the total amount or the annual amount budgeted for that subsidy.

Reply

The annual budget for this programme has been reflected in the table on page 14 of G/SCM/N/71/AUS.

Point 8: Please indicate the start date. Does the indication “the programme is ongoing” mean that it is unlimited? If not, please indicate the end date.

Reply

The scheme has its origins in the *Industry Development Act (1941)* and there is no end date to the scheme.

TASMANIA Investment Attraction Programme

Point 6 (level of subsidy per unit): Is it possible to indicate the amount in \$A of subsidy per unit? Alternatively, please indicate the total amount or the annual amount budgeted for that subsidy.

Reply

The annual budget for this programme has been reflected in the table on page 14 of G/SCM/N/71/AUS.

Point 7 (duration): Please indicate the start date. Does the indication “the programme is ongoing” mean that it is unlimited? If not, please indicate the end date.

Reply

The basis of the programme is the *Tasmanian Development Act* 1983. There is no end date to the programme.

VICTORIA, Investment Attraction programme

Point 4: Since the Economic Development Act 1981 was repealed, which is now the legislative basis for this programme? Is the Department of State & Regional Development the administration/authority that is the deciding on the subsidies allocated under this scheme?

Reply

The programme does not operate under any specific piece of legislation. However, since the *Economic Development Act 1981* was repealed on 14 April 1994, any funds expended under the Investment Attraction Programme have been appropriated under the global budget of the Department of Innovation, Industry and Regional Development (formerly the Department of State & Regional Development).

Point 7: Is it possible to indicate the amount in \$A of subsidy per unit? Alternatively, please indicate the total amount or the annual amount budgeted for that subsidy.

Reply

The annual budget for this programme has been reflected in the table on page 14 of G/SCM/N/71/AUS.

Point 8: Please indicate the start date. Does the indication “the programme is ongoing” mean that it is unlimited? If not, please indicate the end date.

Reply

The Investment Attraction Programme is an ongoing policy of the Victorian State Government with monies allocated for its implementation each year. There is no end date.

WESTERN AUSTRALIA, Industry Incentive Scheme

Point 4: Which is the legislation that this scheme is based on? If there is no specific legal basis, which is the administration/authority that decided the establishment of the scheme

and which is the administration/authority deciding on the subsidies allocated under this scheme?

Reply

There is no specific piece of legislation. The scheme is funded through budget appropriations allocated to the Department of Industry and Technology.

Point 7: Is it possible to indicate the amount in \$A of subsidy per unit? Alternatively, please indicate the total amount or the annual amount budgeted for that subsidy.

Reply

The annual budget for this programme has been reflected in the table on page 14 of G/SCM/N/71/AUS.

Point 8: Please indicate the start date. Does the indication “the programme is ongoing” mean that it is unlimited? If not, please indicate the end date.

Reply

There is no end date.

WESTERN AUSTRALIA, Industry Relocation Scheme

Point 4: Which is the legislation that this scheme is based on? If there is no specific legal basis, which is the administration/authority that decided the establishment of the scheme and which is the administration/authority deciding on the subsidies allocated under this scheme?

Reply

There is no specific piece of legislation. The scheme is funded through budget appropriations allocated to the Department of Industry and Technology.

Point 7: Is it possible to indicate the amount in \$A of subsidy per unit? Alternatively, please indicate the total amount or the annual amount budgeted for that subsidy.

Reply

As provided in document G/SCM/N/71/AUS on page 25, two loans were approved valued at AUD 307,000 of which AUD 228,000 was provided during financial year 2000/2001.

Point 8: Please indicate the start date. Does the indication “the programme is ongoing” mean that it is unlimited? If not, please indicate the end date.

Reply

There is no end date.

D. QUESTION ON OTHER SCHEMES

Could you indicate whether the following programmes were in force during the reporting period? If yes, please provide information on them in the agreed format:

Export Market Development Grant Scheme (EMDGS), created by the Export Market Development Grants Act 1997;

Textiles, Clothing and Footwear plan (TCFP), including incentives for international competitiveness programme, import credit scheme, infrastructure support programme, national industry extension programme, capitalisation grants programme, labour adjustment programme, quick response programme, overseas assembly programme;

Regional Scheme: Industry, Regional and trade support programme (IRTSP);

Reply

Australia notes that these questions and references to programmes are in relation to the programmes cited in a countervailing duty investigation of imports of polyester staple fibre initiated in April 1999. The European Communities has investigated the programmes, many of which have not been in operation for some years. We would respectfully refer the European Communities to Council Regulation (EC) No 978/2000 of 8 May 2000 which contains the findings of that investigation, as well as the submissions by the Australian Government to the European Commission as part of those proceedings.
