Queensland Competition Authority

Final Report: Volume II

Industry Assistance in Queensland

July 2015

Level 27, 145 Ann Street, Brisbane Q 4000
GPO Box 2257, Brisbane Q 4001
Tel (07) 3222 0555
www.qca.org.au

Table of Contents

APPENDIX A: TERMS OF REFERENCE

QUEENSLAND COMPETITION AUTHORITY ACT 1997
SECTION 10(e)
DIRECTION

Direction

1. The Investigation and Report

I direct the Queensland Competition Authority (the Authority) to investigate and report on Queensland Government Industry Assistance Measures (Assistance Measures) to assess the effectiveness of Assistance Measures (including whether these measures are cost-effective) and the contribution to Queensland's economic performance and productivity made by the Assistance Measures (the Report).

The Authority is to investigate and report on the following matters as part of the Report:

(a) What are the current Assistance Measures in place, including the objectives of each identified measure, administration, performance assessment and funding of the identified Assistance Measures;

(b) An appropriate performance assessment framework to evaluate the effectiveness of Assistance Measures, including whether these measures are cost-effective. The performance assessment framework should focus on the economic impact of Assistance Measures including the contribution made by Assistance Measures to Queensland's economic performance and productivity;

(c) How current Assistance Measures perform under the performance assessment framework and how current Assistance Measures contribute to Queensland's economic performance and productivity;

(d) Options for reform of current Assistance Measures that would increase their effectiveness, including the cost-effectiveness; and

(e) An appropriate monitoring and performance evaluation process for Assistance Measures that could be adopted by the Queensland Government to continually evaluate the performance of Assistance Measures.

2. Powers including consultation

Pursuant to section 12(6) of the Act, the Authority has all the powers under Part 6 of the Act in relation to the investigation under this Direction, including the power under section 172 of the Act to conduct public consultation in relation to the investigation.

3. Timing

The Authority must provide an Interim Report on the appropriate performance assessment framework by 31 August 2014.

The Authority must provide a Final Report on all matters by 30 June 2015.

4. Publication

The Interim Report, Final Report and submissions made in consultation undertaken by the Authority should be made available on the Authority's website.

5. Definitions

For the purpose of this Direction:

"Queensland Government Industry Assistance Measures" includes any measures implemented and/or funded by the Queensland Government, directly or indirectly, that are intended to assist any industry in the State of Queensland, as determined by the Authority as part of its investigation under this Direction.

[redacted]

TIM NICHOLLS
Treasurer and Minister for Trade

31 / 3 / 14

APPENDIX B: SUBMISSIONS AND CONSULTATION

Submissions on the Issues Paper

Participant	***Submission number***
Queensland Farmers Federation	1
Asciano Ltd	2
Medical Technology Association of Australia	3
Origin	4
Canegrowers ISIS Limited	5
Australian Industry Group	6
Property Council of Australia	7
Energy Supply Association of Australia	8
Ergon Energy	9
Chamber of Commerce and Industry Queensland	10
Department of State Development, Infrastructure and Planning	11

Submissions on the Draft Catalogue

Participant	***Submission number***
AgForce	12
Chamber of Commerce and Industry Queensland	13
Department of State Development, Infrastructure and Planning	14
Master Builders	15
Queensland Farmers Federation	16
QMI Solutions	17
Queensland Resources Council	18

Submissions on the Draft Report

Participant	***Submission number***
Queensland Farmers Federation	19
Chamber of Commerce and Industry Queensland	20
Ergon Energy	21
Queensland Resources Council	22
Property Council of Australia	23
Origin Energy	24
Ausfilm International Inc	25

Participant	***Submission number***
Carbon Media	26
Department of Agriculture and Fisheries	27
Stadiums Queensland	28
Screen Producers Australia	29
Jonathan M Shiff Productions Pty Ltd	30
Asciano Ltd	31
Asciano, Aurizon and the Australian Rail Track Corporation (joint submission)	32
Matchbox Pictures Pty Ltd	33
Screen Queensland	34
Redland City Council	35
Cutting Edge	36
Research Australia	37
Queensland Tourism Industry Council	38
Department of Housing and Public Works	39
Department of State Development	40
Hoodlum Entertainment	41
Department of Tourism, Major Events, Small Business and the Commonwealth Games	42
AgForce	43
Aurizon Operations Ltd	44

Workshop Attendees (2014)

Department of Agriculture, Fisheries and Forestry

Department of Communities, Child Safety and Disability Services

Department of Education, Training and Employment

Department of Energy and Water Supply

Department of Housing and Public Works

Department of Justice and Attorney-General

Department of Local Government, Community Recovery and Resilience

Department of National Parks, Recreation, Sport and Racing

Department of Natural Resources and Mines

Department of the Premier and Cabinet

Department of Health

Queensland Treasury and Trade

Department of Science, Information Technology, Innovation and the Arts

Department of State Development, Infrastructure and Planning

Department of Tourism, Major Events, Small Business and the Commonwealth Games

Department of Transport and Main Roads

Consultations

AgForce

Chamber of Commerce and Industry Queensland

Department of Agriculture and Fisheries

Department of Education and Training

Department of Energy and Water Supply

Department of Environment and Heritage Protection

Department of Health

Department of Housing and Public Works

Department of Justice and Attorney General

Department of National Parks, Sport and Racing

Department of Natural Resources and Mines

Department of the Premier and Cabinet

Department of Science, Information Technology and Innovation

Department of State Development

Department of Tourism, Major Events, Small Business and the Commonwealth Games

Department of Transport and Main Roads

Office of the Queensland Chief Scientist

Queensland Farmers' Federation

Queensland Resources Council

Queensland Treasury

APPENDIX C: CATALOGUE OF INDUSTRY ASSISTANCE

Overview

This appendix presents the Catalogue of Industry Assistance Measures and describes the measurement system used to construct estimates of Queensland Government industry assistance. The catalogue identifies:

- 112 industry assistance measures: 64 budgetary outlays, 12 tax concessions, 22 underpriced services, 12 underpriced assets and two other measures
- 153 pieces of legislation that contain regulatory restrictions on competition.

Table C.1 lists the assistance measures presented in the catalogue. The measurement system used to establish the assistance estimates is described first, followed by the catalogue of measures and the list of regulatory restrictions on competition. This appendix finishes with a description of policies and activities that have been excluded from measurement in this inquiry.

Table C.1 Assistance measures presented in the catalogue

Sector	*Assistance measures*	*Page number*
All	Measurement system used to construct estimates of industry assistance	9
Research and development	Summary	16
	Academic Strategic Transport Research Alliance	17
	Accelerate Programs	18
	Agricultural Research, Development and Extension	19
	Environmental science projects relating to the Great Barrier Reef Protection Package	20
	Health and Medical Research Fellowship Program	21
	iLab (Technology Incubators)	22
	Life Sciences Queensland Limited	23
	Medical Research Commercialisation Fund	24
	Medical Research Grants	25
	Partners in Digital Productivity	26
	Pavement Deterioration in south east Queensland	27
	The Plantation Hardwood Research Fund	28
	QMI Solutions Ltd Service Agreement	29
	BioPharmaceuticals Australia (Network) Pty Ltd	30
	Grants to Fisheries Research and Development Corporation	31
Network infrastructure	Summary	32
	Urban Water Price Path	33
	Bulk Water Rural Irrigation Water Price Subsidy	34
	Rural Irrigation Water Price Subsidy	35
	SunWater Limited Water Supply Contracts	36
	Cloncurry Community Service Obligation	37
	Stanwell Corporation Ltd — Fixed Water Grid Contracts	38
	Rural Water Use Efficiency — Irrigation Futures	39
	Uniform Tariff Policy	40

Measuring system used to construct estimates of industry assistance

Assistance is provided to industry in various forms. Measuring the level of assistance provided from a particular measure will vary depending on the form of assistance being provided and how the assistance is delivered to industry.

For industry assistance that is measured, the level of assistance is based on best estimates using information provided by the relevant departments. Assistance is estimated for the period 2013–14 to 2017–18, with forecast estimates for the level of assistance provided in future years. Due to the inherent difficulties and uncertainties associated with measuring the various forms of assistance, the QCA recognises that in some cases the estimated value may overestimate or underestimate the actual level of assistance provided.

The measurement system used to construct estimates of Queensland Government industry assistance largely follows the approaches used by the Productivity Commission to measure industry assistance provided by the Australian Government. Assistance levels are net of industry contributions and any Australian Government contributions. Therefore, measured assistance is assistance provided solely due to decisions of the Queensland Government.

Forms of assistance

The forms of industry assistance measured include:

- budgetary outlays
- tax concessions
- underpricing of certain government services and government assets.

Some assistance measures are easier to value than others. For budgetary outlays, the level of assistance is relatively straightforward to quantify where the relevant data is available. In regards to tax concessions, assistance can be quantified using a revenue forgone approach.[1]

Quantifying the level of assistance provided by underpricing access to assets and services is more complex. The QCA has estimated the level of assistance using information provided in the Concessions Statement published with the budget papers, or using a cost-based method with information provided by departments.

Measuring the level of industry assistance provided by other forms of assistance is more difficult to quantify. For instance, valuing the effects of purchasing policy preferences would require a detailed understanding of the acceptance of bids across government on a contract by contract basis. It is also difficult to assess all (or any) of the contingent liabilities associated with the government's industry assistance measures. Similarly, quantifying the assistance afforded by a regulatory restriction on competition poses significant challenges.

Therefore, other forms of industry assistance are excluded from measurement.

Budgetary outlays

Industry assistance provided through government budget outlays can include:

- direct financial outlays:
  - grants and subsidies
  - interest rate subsidies, credits, loans, loan guarantees, insurance
  - equity injections
- funding to an organisation which performs services of benefit to industry (e.g. a commercialised business unit, statutory authority, controlled corporation, government owned corporation, or other entity).

Assistance data is either based on actual expenditure (for past years) or budgeted expenditure (appropriations).

Tax concessions

Tax expenditures (or 'concessions') are reductions in tax revenue that result from the use of the taxation system as a policy tool to deliver government policy objectives. Tax expenditures are provided through a range of measures, including:

- tax exemptions
- the application of reduced tax rates to certain groups or sectors of the community
- tax rebates
- tax deductions
- provisions to defer payment of a tax liability to a future period.

The Queensland Government provides information on tax expenditures in the Budget Paper no. 2, Tax Expenditure Statement. As noted above, Queensland Government tax expenditures are measured using the revenue foregone approach. This approach measures the difference in tax paid by taxpayers who

[1] Estimates of the revenue foregone from tax concessions are published each year in the Government's budget papers in the Tax Expenditure Statement.

receive a particular concession, relative to similar taxpayers who do not receive the concession, assuming taxpayer behaviour is unchanged.

Underpricing of access to government-owned assets and services

The Queensland Government owns many different types of assets which provide a 'service' to businesses. Some examples are:

- infrastructure such as roads and bridges
- land
- buildings
- government-owned corporations (GOCs) (public financial and public non-financial)
- commercialised business units (CBUs)
- minerals resources
- forestry and fisheries resources
- information assets
- intellectual property.

In addition to the provision of assets, the Queensland Government also provides a large range of services to businesses. Some examples are:

- undertaking research and development on behalf of industry
- providing extension services for agricultural landholders
- undertaking systematic work to develop a particular industry and promote markets
- providing information to businesses, including socioeconomic studies and mapping tools
- authorising and monitoring permits and licences to assets on behalf of industry
- delivering training sessions and forums to professionals and Queensland businesses.

To qualify as an industry assistance measure the asset or service provided must be provided free of charge or at less than full cost recovery.[2] For the purpose of measuring industry assistance, the benchmark price should be a cost-reflective price consistent with the Queensland Government's Full Cost Pricing (FCP) Policy (Queensland Treasury 2010b). That is, the policy, program, activity or practice may qualify as an industry assistance measure where the price being charged to businesses does not cover the costs of provision[3] incurred by the Queensland Government.

Where costs are fully recovered, the arrangement between government and a business is one of a procurement nature rather than the provision of industry assistance.

Access to general public infrastructure is generally excluded from the scope of the definition of an 'industry assistance measure'. However, in circumstances where the government does not obtain a commercial return for the provision of access to government-owned infrastructure (and the services they provide), and businesses clearly benefit as a result, this constitutes industry assistance.

For CBUs, significant business activities (SBAs) and GOCs, there is an established commercialisation policy framework that can help define 'underpricing' (Queensland Treasury 2010a). The Queensland

[2] 'Underpricing' is the difference between the prices actually charged and a notional benchmark price.
[3] The costs that should be recovered are considered in the FCP policy.

Government accounts for providing community service obligations (CSOs) and other concessions that underprice services provided by Queensland GOCs (see Chapter 12). The complexities in understanding the degree of industry assistance inherent in these arrangements become apparent when attempting to value sunk investments or allocate the overall government under-recovery (i.e. subsidy) between industry and the community.

The level of assistance is based on the 'net cost of service' concept. The cost based method estimates the direct costs incurred by government to provide the asset or service. In some instances, this approach may underestimate the value of assistance as it does not reflect the value of the assets being provided to industry. For instance, underpricing of natural resources implies a gap between prices (e.g. royalties) actually charged for access to the asset and some concept of the value of the asset to the community. Determining 'from scratch' whether natural resources are over or underpriced is a significant task. Therefore, in general, the approach taken is to simply estimate the cost (incurred by government) associated with the provision of those services and to exclude the value of natural resources from assistance estimates.

Provision of assistance

The way in which assistance is provided to industry has implications for what and how assistance has been measured and allocated to a particular industry.

Institutional arrangements

The scope of costs included in assistance estimates varies by the institutional arrangement of the assistance.

- Where assistance is provided directly by departments, the cost of the subsidy is recorded as assistance. The estimates exclude the employee expenses and general administration costs of government agencies that administer grants and other assistance programs.
- Where assistance is provided indirectly through external institutions, the full amount of funding provided to the external entity from the Queensland Government is considered industry assistance.

The Queensland Government provides assistance through a number of statutory authorities, including: Tourism and Events Queensland; Trade and Investment Queensland; Queensland Rural Adjustment Authority; and Stadiums Queensland. All of the funding provided to these entities by the Queensland Government is included in assistance estimates. However, in some instances only specified measures provided by a statutory authority are identified as assistance. In this case, the measures are separately identified as assistance and not the overall funding provided to the statutory authority.

In cases where the entire activity of a statutory authority is considered as industry assistance the form of assistance is classified as a budgetary outlay (representing the provision of funding from the government to the entity). If only particular measures within a statutory authority are treated as assistance, then the form of assistance is based on the nature of the assistance provided by the entity (e.g. a grant or underpricing of services).

Initial recipient of assistance

Assistance is measured at the point of the 'initial recipient' of assistance. Assistance is not measured based on the incidence of assistance — for example, the extent to which assistance provided to a business is captured by the businesses' shareholders and workers or passed through to consumers.

The initial recipient test is used in favour of either an objectives or effects-based test. The latter tests are usually not practical tests for the purpose of an industry assistance measurement system. An objectives-based test is difficult to implement because often the political objectives of an assistance measure are not known, are historical, and/or there may be multiple objectives. Even very traditional assistance policies, such as, assistance to agriculture, can be stated as having 'end' objectives which have nothing to do with helping businesses or industry as such, but rather are intended to assist in achieving broader welfare or community/regional support outcomes. An objectives-based test can be used to effectively rule out most measures which have important impacts on industry resource allocation, employment and growth.

Ideally, an effects-based test would be used in assigning assistance to industries as it would align more closely with the evaluation of a measure's economic impacts. However, the problem with an effects-based test is that the eventual economic incidence of an assistance measure may not be known, or requires a significant level of analytical effort to determine. An effects-based test can also 'rule-in' a much broader range of policies than traditionally captured within industry assistance measurement. Once linkages between industries are taken into account — in analysing the flow-on effects of a policy — the subsidies and activities in various social policy areas, such as, education, health and community housing, can be shown to have important effects on the output, investment and employment of industries which are generally included in assistance measurement, such as, manufacturing.

For the purpose of measuring and describing industry assistance, the initial recipient test avoids the complications of considering either 'end' objectives or the economic incidence of assistance. For most industry assistance measures, the initial recipient test is expected to result in assistance being assigned to industries which capture a large share of the subsidy, even if some of the subsidy 'flows-on' to other industries.

A measure is in-scope if:

- the initial recipient of assistance is a business operating in Queensland (excluding community and not-for-profit entities), or
- the measure involves a transfer of resources to households and
  - the transfer of resources is tied to the subsidised purchase of a specific product
  - the transfer of resources is not considered part of the general welfare system.

The 'initial recipient' test is relaxed to cater for situations where the Queensland Government provides assistance through entities external to the general government sector. This can include assistance through:

- GOCs
- statutory authorities
- community and not-for-profit entities
- other external bodies (often which involve joint funding arrangements with the Australian Government, other state governments or industry).

In these instances, the initial recipient of assistance is assigned to either the external body or the businesses which use the goods or services provided by the external body (discussed below).

Assignment of assistance

Taking account of policy priorities and the benefits of having some degree of consistency with national assistance measures, the inquiry classified assistance on the basis of the following sectors:

- agriculture, forestry and fishing
- mining
- manufacturing
- electricity, gas, water and waste services

- construction
- tourism
- services (excluding construction and tourism)
- unallocated.

The services sector includes: wholesale trade; retail trade; accommodation and food services; transport, postal and warehousing; information media and telecommunications; financial and insurance services; rental, hiring and real estate services; professional, scientific and technical services; administrative and support services; public administration and safety; education and training; health care and social assistance; arts and recreation services; and other services.

The 'unallocated' sector is for those assistance measures where data does not allow the assistance to be allocated to any of the other industries on a reasonable basis. A more detailed industry classification was not used as it would likely result in significant error in allocations.

Where assistance is provided through an external body, it raises the question of which industry is the initial recipient — the supplying industry or the using industry. As an example, the Uniform Tariff Policy (UTP) subsidises electricity prices provided by Ergon Energy and Origin Energy (both GOCs). The subsidy is provided to the corporations by a CSO funded from Budget appropriation bills. The electricity subsidy impacts electricity prices, the quantity of electricity demanded and supplied, and capital investment in the electricity industry, as well as influencing cross-industry resource allocation.

These impacts provide a rationale for classifying the assistance to the electricity, gas, water and wastewater (EGWW) industry. However, industries face lower electricity prices than otherwise as a result of assistance. This has consumption and investment impacts in the using industries and is also likely to have implications for resource allocation. A case can therefore be made for the assistance to be assigned either to EGWW (the supplying industry) or to using industries. An effects-based test would seek to measure and assign assistance based on how much of the subsidy is captured by the EGWW industry and how much is captured by using industries, which is not easily determined.

The approach adopted for this inquiry is to consider the external body, such as, a GOC or statutory authority, as the initial recipient of assistance, unless:

- the assistance can clearly be assigned to a single using industry, and where it is expected that the industry captures the benefit of the subsidy, or
- the external body itself cannot be assigned to a single industry.

Table C.2 provides examples of how this approach has assigned assistance to particular industries.

Table C.2 Industry assignment examples for assistance provided by external bodies

Industry assistance measure	***Industry assignment***
Urban Water Price Path	Electricity, gas, water and waste services
Cloncurry Community Service Obligation	Electricity, gas, water and waste services
Uniform Tariff Policy	Electricity, gas, water and waste services
Irrigation Water Price Subsidies	Agriculture, forestry and fishing
Drought Relief from Electricity Charges Scheme	Agriculture, forestry and fishing
Trade and Investment Queensland (TIQ):	Distributed across industries
Tourism and Events Queensland (TEQ)	Tourism industry

Selectivity of assistance

An industry policy can be classed as 'horizontal' if it applies to many industries and 'vertical' where it applies to a narrow range or single industry. In general, a horizontal policy is considered less at risk of distorting resource allocation across industries.

Some assistance measures provide selective assistance based on a particular characteristic of businesses (e.g. business size in exemption threshold tests). These measures discriminate between different types of businesses even where the measures are available to many industries (are horizontal). While assistance may be available to businesses in many industries, the prevalence of the characteristic upon which the assistance measure is based can vary widely across industries. For example, the prevalence of small businesses relative to medium and large businesses varies significantly by industry (whether measured by shares in the total number of firms in an industry or by employment/output shares).

Horizontal measures can provide incentives that have broad ranging impacts both on the allocation of resources across industries and between different types of businesses. Therefore, assistance measures which discriminate on the basis of a business characteristic are included under the inquiry's definition of an 'industry assistance measure'.

Assistance indicators are not direct estimates of economic efficiency impacts

Estimates of assistance (transfers to industries) do not indicate the overall welfare cost to the community arising from transfers.

Measures of industry assistance give an indication of the level of assistance provided to industries, and, in particular, the relative levels of assistance across industries. However, measures of assistance do not directly measure the economic efficiency impacts of the assistance. The measures do not capture the deadweight losses of interventions impacting on prices and quantities demanded, or losses associated with the efficiency costs of taxation and the possible allocation of resources towards lower value uses.

Assistance estimates do provide a description of the relative incentives afforded industries competing for resources at a particular point in time.

> *...these measured income transfers, which make some people in the community better off at the expense of making other people worse off, do not give an accurate indication of the economic or welfare costs to the community of assistance. Such costs depend upon the extent to which the provision of assistance results in a mis-allocation of resources and changes in consumption patterns - something dependent upon the behavioural responses of producers and consumers to the measured price distortions. Measurement of these costs requires considerable data on elasticities of supply and demand. Ideally, the welfare costs of assistance should be measured within a general equilibrium framework [rather than the partial equilibrium framework underpinning assistance estimates]. (IC 1995a, p. 11)*

The allocation of resources between businesses, industries, factors of production and outputs responds to incentives. Industry assistance alters these incentives by affecting relative returns to outputs, value added, and the factors of production. Through altering relative returns, industry assistance impacts on the allocation of resources in an economy. The measured relative levels of assistance across industries and over time are expected to be correlated with the 'unmeasured' economic efficiency consequences of the assistance policies.

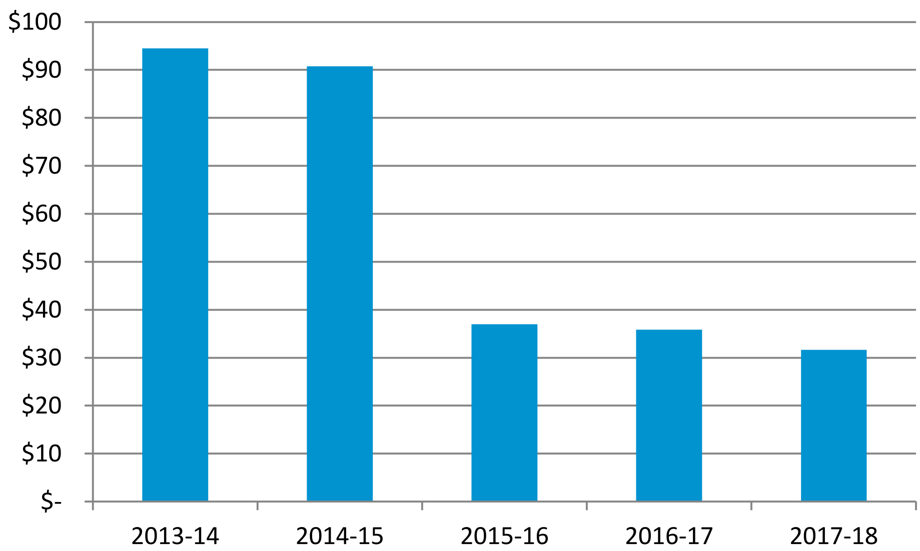
RESEARCH AND DEVELOPMENT MEASURES

Assistance for research and development

There are 15 research and development assistance measures.

The total value of research and development assistance catalogued (for 2013–14 to 2017–18) is **$285.7** million. In 2013–14, $94.2 million in research and development assistance was provided to Queensland industry.

Figure C.1 Research and development assistance provided in 2013–14 to 2017–18 ($m)



The main research and development measures (by assistance provided) are:

(1) Agricultural Research and Development — $114 million

(2) Medical Research Grants — $106 million

(3) Health and Medical Research Fellowship Program — $42 million.

Assistance by category

Research and development assistance consists of $198.4 million (69 per cent) in budgetary outlays and $87.4 million (31 per cent) in underpricing of services.

Monitoring and evaluation of assistance

From the 15 research and development measures catalogued, 14 measures (93 per cent) are monitored in some way by departments. Only four measures (27 per cent) have been formally evaluated by departments.

ACADEMIC STRATEGIC TRANSPORT RESEARCH ALLIANCE

General information

Description of the measure	Funding is provided to Queensland University of Technology, University of Queensland and Griffith University through the Academic Strategic Transport Research Alliance Agreement. The Academic Strategic Transport Research Alliance is a co-operative relationship working collaboratively in critical areas of transport such as strategic capability, research, learning and development.				
Department administering the measure	Department of Transport and Main Roads (DTMR)				
Initial financial year the measure was implemented	2010–11				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	540	556	-	-	-
Administration expenses ($'000)	68	68	-	-	-
Level of assistance (2013-18) ($'000)	1,096				

Notes: The five-year program has a total budget of $2.6 million. The program was scheduled to finish on 30 June 2015. Approval is being sought to continue the program for a further five years (up to 2019–20). Administration expenses estimate the cost for TMR to administer and manage the Agreement.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	0	0	100	0

Policy objective

Description of the policy objective:	To have access to world-leading transport research capability and resources delivering on DTMR strategic priorities and innovative transport solutions for Queensland.

Departmental monitoring and assessment

Is the measure monitored?	Yes. The impacts of the ASTRA agreement have only recently been monitored as the agreement is under review. The review includes analysis of case studies for research projects that have been undertaken by university partners and surveys of program stakeholders.
Are the economic impacts of the measure evaluated?	No.

ACCELERATE PROGRAMS

General information

Description of the measure	Funding is provided to the Accelerate Programs, which support collaborative research projects, attracting and retaining early and mid-career researchers and the demonstration of the potential commercial viability of new and existing ideas. Programs are largely targeted to the research community, in particular Queensland-based universities. Accelerate Programs include: Accelerate Partnerships; Accelerate Fellowships and Accelerate Ideas.				
Department administering the measure	Department of Science, Information Technology and Innovation (DSITI)				
Initial financial year the measure was implemented	2013-14				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	-	2,943	2,807	1,203	275
Administration expenses ($'000)		200	100	100	20
Level of assistance (2013-18) ($'000)	7,228				

Notes: One round of the Accelerate Programs was offered in 2013-14 with figures in out years representing projected expenditure for the projects awarded. The Accelerate Partnerships and Accelerate Fellowships programs are fully subscribed.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
31	2	0	16	7	0	23	21

Policy objective

Description of the policy objective	The aim of the program is to increase human and social capital in Queensland's innovation system through the generation of new knowledge, skills, products, processes, services, patents and other forms of intellectual property to deliver a range of economic, social and environmental benefits for Queensland.

Departmental monitoring and assessment

Is the measure monitored?	Yes. The program is new and a mechanism to monitor tangible outputs is being set up. The monitoring and evaluation framework implemented will monitor the new products, services and processes resulting from the funded programs.
Are the economic impacts of the measure evaluated?	No.

AGRICULTURAL RESEARCH, DEVELOPMENT AND EXTENSION

General information

Description of the measure	Research, development and extension activities contribute to technological advances, improving expertise and the identification of new market opportunities in the agriculture sector. Grants are provided to organisations such as the Australian Poultry Cooperative Research Centre, the North Australian Beef Research Council and the Sugar Research Australia.				
Department administering the measure	Department of Agriculture and Fisheries (DAF)				
Initial financial year the measure was implemented	2010				
Form of assistance	Underpricing of services and budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	59,000	55,000	-	-	-
Administration expenses ($'000)	260	260	-	-	-
Level of assistance (2013-18) ($'000)	114,000				

Notes: The level of assistance includes both budgetary outlay (grants and subsidies) and underpricing of services components. Grants and subsidies comprise funding provided to external organisations as part of DAF's commitment to partnerships ($12.9m and $13.887m in 2013-14 and 2014-15 respectively). The level of assistance for the underpricing of services component is estimated using a cost-based method, estimating the direct costs incurred by the government to deliver the research, development and extension activities. Administration expenses relate to base-funded staff directly involved in agricultural R&D ($46.1m and $41.113m in 2013-14 and 2014-15 respectively). The budget from 2015-16 to 2017-18 is yet to be allocated.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
100	0	0	0	0	0	0	0

Policy objective

Description of the policy objective	To identify improvements or changes in operations that lead to: efficiency gains; growth in productivity; an expansion in demand (such as improvements in product quality, reduction in the barriers to trade or the identification of new products); and increased sustainability in the agriculture sector.

Departmental monitoring and assessment

Is the measure monitored?	Yes. The Office of the Chief Scientist, in partnership with Queensland Treasury, collects annual R&D expenditure. Agri-Science Queensland annually surveys funders to assess whether outcomes have been achieved. Project data is also collected for each project, and significant projects collect and report against a range of data.
Are the economic impacts of the measure evaluated?	Yes. The Productivity Commission completed an inquiry report in 2011, 'Rural Research and Development Corporations'. Evaluations of RD&E projects have also been conducted.

ENVIRONMENTAL SCIENCE PROJECTS RELATING TO THE GREAT BARRIER REEF PROTECTION PACKAGE

General information

Description of the measure	Research into water quality is funded by a number of dedicated programs. These programs work together to foster collaboration between researchers to address knowledge gaps and develop integrated outputs that meet the needs of users. The research being undertaken focuses on a range of themes, including land management practices, catchment indicators and water quality management.				
Department administering the measure	Department of Environment and Heritage Protection (DEHP)				
Initial financial year the measure was implemented	2009-10				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	1,581	1,564	1,515	1,436	-
Administration expenses ($'000)	300	300	300	300	-
Level of assistance (2013-18) ($'000)	6,095				

Notes: Funding is provided to researchers to undertake research projects. A mid-term review of the science program is anticipated in 2017.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
20	0	0	0	0	0	80	0

Policy objective

Description of the policy objective	The program seeks to fill key knowledge gaps about land management activities/measures that can result in a change to water quality and to integrate this knowledge into other measures to address the issue of declining water quality in the Great Barrier Reef.

Departmental monitoring and assessment

Is the measure monitored?	Yes. DEHP monitors water quality data and scientific reports to collect information on land management activities/measures that affect water quality.
Are the economic impacts of the measure evaluated?	No.

HEALTH AND MEDICAL RESEARCH FELLOWSHIP PROGRAM

General information

Description of the measure	The Health and Medical Research Fellowship Program provides funding for research fellowships to build research capacity and facilitate the implementation of evidence based clinical services.				
Department administering the measure	Department of Health (DoH)				
Initial financial year the measure was implemented	2009-10				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	8,062	8,374	8,374	8,374	8,374
Administration expenses ($'000)	50	51	53	54	55
Level of assistance (2013-18) ($'000)	41,556				

Notes: The 2014-15 budget represent commitments for fellowships that have been awarded. Forward estimates assume the current level of fellowship commitments (and therefore based on 2014-15 budget).

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	0	0	100	0

Policy objective

Description of the policy objective	To enhance the research base and profile of medical research in Queensland to attract and retain world class researchers, leading to improved healthcare practices, diagnostics and outcomes for patients.

Departmental monitoring and assessment

Is the measure monitored?	Yes. Annual progress reports present details on publications, research funding secured and commercial activities.
Are the economic impacts of the measure evaluated?	No.

ILAB (TECHNOLOGY INCUBATORS)

General information

Description of the measure	Funding is provided to iLab, which supports early stage, high-tech companies through the first few years of development by building their business management capabilities, fostering mentor networks for start-up founders, creating investor ready companies, and graduating companies with increased chances of success.				
Department administering the measure	Department of Science, Information Technology and Innovation (DSITI)				
Initial financial year the measure was implemented	2000-01				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	500	500	325	650	575
Administration expenses ($'000)	15	15	15	15	15
Level of assistance (2013-18) ($'000)	2,550				

Notes: DSITI provides funding to iLAB, which is a subsidiary of The University of Queensland. Administration costs are based on estimated employee expenses incurred by DSITI.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	0	0	100	0

Policy objective

Description of the policy objective	iLab services aim to improve commercialisation rate of start-up businesses and promote business growth. This will generate employment opportunities within startup businesses, diversify the economy, increase the knowledge intensive economy and improve productivity and productivity growth through the application of innovation.

Departmental monitoring and assessment

Is the measure monitored?	Yes. iLab monitors the number of new entrepreneurial businesses entering iLab, the total number of successful program graduates, the total number of jobs created and the value of private and public investment secured.
Are the economic impacts of the measure evaluated?	Yes. Under the terms of the Funding Agreement with UniQuest, iLAB is to undergo an external review at the end of 2015 (four years after implementation of revised business model and ownership transfer to UniQuest).

LIFE SCIENCES QUEENSLAND LIMITED

General information

Description of the measure	Provides financial support to Life Sciences Queensland Limited, a statewide, industry-led organisation representing the life sciences sector. The funds support delivery of an agreed annual plan of industry development activities.				
Department administering the measure	Department of Science, Information Technology and Innovation (DSITI)				
Initial financial year the measure was implemented	2011				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	465	465	-	-	-
Administration expenses ($'000)	10	10	-	-	-
Level of assistance (2013-18) ($'000)	930				

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
5	0	5	0	0	0	90	0

Policy objective

Description of the policy objective	Life Sciences Queensland provides members with tools, services, market intelligence and access to an international network of life sciences organisations with the aim of identifying new business opportunities and accelerating business growth to help create a dynamic, internationally competitive and sustainable life sciences industry in Queensland.

Departmental monitoring and assessment

Is the measure monitored?	Yes. DSITI monitors quarterly milestone deliverables and performance indicators, including Life Sciences Queensland membership and industry engagement activities.
Are the economic impacts of the measure evaluated?	Yes. An independent interim review of Life Sciences Queensland has been undertaken, under the direction of the Life Sciences Queensland Board. The review looked at the organisation's structure and the benefits it delivers to stakeholders.

MEDICAL RESEARCH COMMERCIALISATION FUND

General information

Description of the measure	The Medical Research Commercialisation Fund provides Queensland member institutes with support for the commercialisation of early-stage medical research discoveries that originate from its member institutes.				
Department administering the measure	Department of Health (DoH) and Department of Science Information Technology and Innovation (DSITI)				
Initial financial year the measure was implemented	2009-10				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	300	300	300	-	-
Administration expenses ($'000)	30	36	36	-	-
Level of assistance (2013-18) ($'000)	900				

Notes: The annual support provided by the Queensland Government to MRCF is $300,000, which is split between DoH and DSITI. The government has committed operational grant support of up to $300,000 (excluding GST) per annum up to 30 June 2016. Funding past 2016-17 is yet to be confirmed.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	7.5	0	0	0	92.5	0

Policy objective

Description of the policy objective	To support the development and commercialisation of early stage medical technologies in order to translate medical research into tangible health care benefits and measures.

Departmental monitoring and assessment

Is the measure monitored?	Yes. Quarterly performance reports detail how the program continues to progress, including the nature of the deals finalised, links with national and international partners and stakeholders and descriptions of new developments.
Are the economic impacts of the measure evaluated?	No.

MEDICAL RESEARCH GRANTS

General information

Description of the measure	Medical Research Grants are provided to deliver research papers and measurable clinical outcomes. For instance, QIMR Berghofer Medical Research Institute receives operational funding from Department of Health.				
Department administering the measure	Department of Health (DoH)				
Initial financial year the measure was implemented	1945				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	22,550	20,864	20,864	20,864	20,864
Administration expenses ($'000)	50	51	53	54	55
Level of assistance (2013-18) ($'000)	106,006				

Notes: The 2013-14 figure represents payments to QIMR Berghofer Institute of Medical Research (including $4.985M provided on a recurrent basis for building depreciation), Wesley Research Institute, Queensland Emergency Medicine Research Foundation, Australian Centre for Health Services Innovation and the Queensland Centre for Gynaecological Cancer. The 2014-15 budget and forward estimates are for payments to QIMR Berghofer Institute of Medical Research and Queensland Emergency Medicine Research Foundation. The forward estimates assume the payment is in line with the current (2014-15) level.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	0	0	100	0

Policy objective

Description of the policy objective	To enhance the research base and profile of medical research in Queensland to attract and retain world class researchers, leading to improved healthcare practices, diagnostics and outcomes for patients.

Departmental monitoring and assessment

Is the measure monitored?	Yes. Annual reports set out the level of external funding received, numbers of publications and notable translation events.
Are the economic impacts of the measure evaluated?	No.

PARTNERS IN DIGITAL PRODUCTIVITY

General information

Description of the measure	Partners in Digital Productivity forums assist Queensland businesses in the four pillar industries to increase productivity and innovation through the uptake of digital technologies and services. It was developed to enable sector to sector information sharing and to increase digital productivity of the government's four pillar industries – tourism, agriculture, resources and construction.				
Department administering the measure	Department of Science, Information Technology and Innovation (DSITI)				
Initial financial year the measure was implemented	2013-14				
Form of assistance	Underpricing of services				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	13	20	-	-	-
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	33				

Notes: The level of assistance provided is estimated using a cost-based method. The cost based method estimates the direct costs incurred by the government to provide the Partners in Digital Productivity forums. Two Partners in Digital Productivity forums were provided in 2013-14. DSITI had a budget of $20,000 to deliver these forums in 2014-15. Funding beyond 2014-15 is yet to be confirmed.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
20	20	0	0	20	20	20	0

Policy objective

Description of the policy objective	The objective of the program is to improve communication and collaboration between government's four pillar industries (agriculture, construction, resources, tourism) and the ICT sector with the aim to increase the digital productivity of Queensland industries and provide opportunities for the local ICT sector.

Departmental monitoring and assessment

Is the measure monitored?	Yes. DSITI monitors feedback from Partners in Digital Productivity forum participants, including whether satisfied with the forums and found them useful. The number of forum participants is also monitored.
Are the economic impacts of the measure evaluated?	No.

PAVEMENT DETERIORATION IN SOUTH EAST QUEENSLAND

General information

Description of the measure	Pavement Deterioration in South East Queensland is a research project undertaken by Griffith University to develop performance based structural deterioration models for Queensland's sprayed seal and asphalt pavements, using long term pavement performance sites in south east Queensland. This will assist in modelling the structural performance of the road network in Queensland.				
Department administering the measure	Department of Transport and Main Roads (DTMR)				
Initial financial year the measure was implemented	2011-12				
Form of assistance	Underpricing of services				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	5	5	5	5	-
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	20				

Notes: The level of assistance provided is estimated using a cost-based method. The cost-based method estimates the direct costs incurred by the government to provide support to the program. DTMR employees provide approximately 50 hours of their time to this project annually.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	0	0	100	0

Policy objective

Description of the policy objective	The research on pavement deterioration is to enable road agencies and local government to make more informed investment decisions. The timely identification of road sections requiring rehabilitation will improve the condition of the road network.

Departmental monitoring and assessment

Is the measure monitored?	Yes. The model is yet to be developed. Progress reports are prepared by Griffith University and circulated to all research partners annually. Once the model predictions are validated, the model will be incorporated in Pavement Management System analysis.
Are the economic impacts of the measure evaluated?	No.

THE PLANTATION HARDWOOD RESEARCH FUND

General information

Description of the measure	The Plantation Hardwood Research Fund was established as a research and development initiative under the State-wide Forests Process to support the development of a viable plantation-based hardwood industry in Queensland.				
Department administering the measure	Department of Agriculture and Fisheries (DAF)				
Initial financial year the measure was implemented	2009				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	88	23	-	-	-
Administration expenses ($'000)	20	10	-	-	-
Level of assistance (2013-18) ($'000)	111				

Notes: The remaining programs are in their final stages of delivery, with program funding scheduled to finish in 2014-15.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
60	0	40	0	0	0	0	0

Policy objective

Description of the policy objective	To improve the productivity and profitability of hardwood plantations in Queensland by finding solutions (in conjunction with industry) to key industry challenges including identifying trees with good wood quality for propagating stock, managing stem borer insects, producing solid wood and composites products from plantation wood and understanding the durability of wood products made from plantation wood.

Departmental monitoring and assessment

Is the measure monitored?	Yes. DAF's contributions to the projects are controlled through contractual arrangements which include milestone schedules as a basis for paying only for the satisfactory delivery of agreed deliverables.
Are the economic impacts of the measure evaluated?	No.

QMI SOLUTIONS LTD SERVICE AGREEMENT

General information

Description of the measure	QMI Solutions is funded to deliver a range of innovation, collaboration and commercialisation services and programs to Queensland inventors, entrepreneurs, researchers or businesses.				
Department administering the measure	Department of Science, Information Technology and Innovation (DSITI)				
Initial financial year the measure was implemented	2011-12 (commencement of current agreement)				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	611	645	600	600	600
Administration expenses ($'000)	121	121	121	121	121
Level of assistance (2013-18) ($'000)	3,056				

Notes: Forward estimates from 2015-16 to 2017-18 are based on a successful departmental budget reallocation and an assessment of third party service provision options. These estimates incorporate results from an external review of Innovation and Collaboration Services completed in March 2015, which found that streamlining and targeting future innovation services should reduce the overall level of industry assistance required.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
20	5	10	5	15	5	25	15

Policy objective

Description of the policy objective	To achieve more commercial outcomes for innovative ideas and research and development in Queensland by facilitating information sharing, networking and collaboration between business operators, researchers and government agencies.

Departmental monitoring and assessment

Is the measure monitored?	Yes. Under the Service Agreement, QMI Solutions is required to report performance against all activities in the Service Agreement Schedules every six months. This includes reporting service delivery milestones.
Are the economic impacts of the measure evaluated?	Yes. AEC Group produced the Economic Impact Assessment: AIC Innovation and Collaboration Programs report in December 2010. The report looked at a number of services provided by QMI Solutions. A further evaluation of the innovation programs delivered by QMI was completed in March 2015.

BIOPHARMACEUTICALS AUSTRALIA (NETWORK) PTY LTD

General information

Description of the measure	BioPharmaceuticals Australia aims to deliver tailored contract manufacturing solutions to Australian and international biotherapeutic drug developers. The company is a proprietary company, limited by shares, with the sole member being the State of Queensland. BioPharmaceuticals Australia was established to oversee the staged development of a contract biopharmaceutical manufacturing facility. In 2014, BioPharmaceuticals Australia commenced its second phase of operations, launching the Biopharmaceutical Development Fund. The Biopharmaceutical Development Fund provides grants to early stage researchers and commercial drug developers to access the services of the contract manufacturing facility.				
Department administering the measure	Department of Science, Information Technology and Innovation (DSITI)				
Initial financial year the measure was implemented	2008				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	82	45	45	-	-
Administration expenses ($'000)	10	10	10	-	-
Level of assistance (2013-18) ($'000)	172				

Notes: Assistance provided by DSITI includes grant funding as well as in-kind support (e.g. office accommodation, telephony, ICT, etc.) to BioPharmaceuticals Australia.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	10	0	0	0	90	0

Policy objective

Description of the policy objective	BioPharmaceuticals Australia was formed to achieve ten specific objectives, relating to the planning, coordination (including the securing of public and private sector funding), promotion, and provision of the assistance required to establish a biopharmaceutical manufacturing capability in Australia.

Departmental monitoring and assessment

Is the measure monitored?	Yes. DSITI monitors the number and value of Biopharmaceutical Development Fund grants being provided. Biannual reporting is also provided to DSITI on the progress of BioPharmaceuticals Australia's activities.
Are the economic impacts of the measure evaluated?	No.

GRANTS TO FISHERIES RESEARCH AND DEVELOPMENT CORPORATION

General information

Description of the measure	Grants are provided to the Fisheries Research and Development Corporation to fund research relevant to fisheries management, such as knowledge of fisheries stocks and practices.				
Department administering the measure	Department of Agriculture and Fisheries (DAF)				
Initial financial year the measure was implemented	2013 (recommenced after ceasing in 2012)				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	400	400	400	400	400
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	2,000				

Notes: Fisheries Research and Development Corporation administers the program. DAF does not incur any administrative costs for this program.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
100	0	0	0	0	0	0	0

Policy objective

Description of the policy objective	Improve the management of Queensland fisheries and fisheries industry development.

Departmental monitoring and assessment

Is the measure monitored?	No.
Are the economic impacts of the measure evaluated?	No.

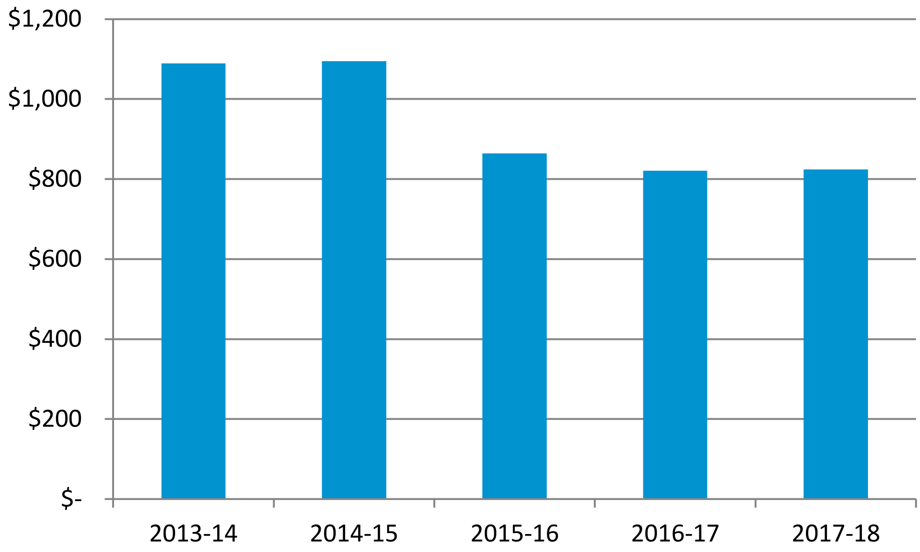
NETWORK INFRASTRUCTURE ASSISTANCE MEASURES

Network infrastructure assistance

There are 18 network infrastructure assistance measures.

The total value of network infrastructure assistance catalogued (for 2013–14 to 2017–18) is $**4.69** billion. In 2013–14, $1089 million in network infrastructure assistance was provided to Queensland industry.

Figure C.2 Network infrastructure assistance provided in 2013–14 to 2017–18 ($m)



The main network infrastructure measures (by assistance provided) are:

(1) Uniform Tariff Policy — $1.42 billion

(2) Solar Bonus Scheme — $1.31 billion

(3) Rail Network and Infrastructure Financing — 1.1 billion

(4) Regional Freight and Livestock Transport Service Contracts — $0.27 billion

(5) Gladstone Ports Corporation Port Charges Contracts — $0.24 billion

Assistance by category

The level of network infrastructure assistance consists of $2.83 billion (60 per cent) in budgetary outlays, $1.3 billion (28 per cent) in other assistance (Solar Bonus Scheme), $0.48 billion (10 per cent) in underpricing of assets and $0.07 billion (2 per cent) in underpricing of services.

Monitoring and evaluation of assistance

From the 18 network infrastructure measures catalogued, 12 measures (67 per cent) are monitored in some way by departments. Only one measure has been formally evaluated by departments.

URBAN WATER PRICE PATH

General information

Description of the measure	Bulk water prices in south east Queensland are currently set at levels below the cost of supply. The difference between revenue received (based on these below-cost prices) and the costs to be recovered, is funded by debt that is due to be repaid from bulk water prices by 2027-28.				
Department administering the measure	Department of Energy and Water Supply (DEWS)				
Initial financial year the measure was implemented	2008-09				
Form of assistance	Underpricing of assets				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	65,356	44,694	-	-	-
Administration expenses ($'000)	9	9	-	-	-
Level of assistance (2013-18) ($'000)	110,050				

Notes: The level of assistance has been calculated using the value of cost under-recovery published in the Concession Statement. The QCA has estimated the industry component of the cost under-recovery is based on water use data for the water businesses in south east Queensland (provided as part of the QCA's Seqwater bulk water price review), with non-residential water users accounting for 24.3% of costs not recovered and 94.5% of non-residential water is used by for-profit businesses (not-for-profit businesses are considered out-of scope for this inquiry). Whilst this has been calculated as industry assistance for 2013-14 and 2014-15, the Urban Water Price Path requires that water users recover this revenue shortfall in future years, including interest on accumulated debt. As a result, any assistance provided now will be repaid by water users in future years. However, the bulk water prices do not recover a full commercial cost of capital. Whilst this is considered to be industry assistance, it has not been included in the level of assistance.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	100	0	0	0	0

Policy objective

Description of the policy objective	The price path was established to transition bulk water prices in south east Queensland to more cost-reflective prices. The objective of the price path is to minimise price shocks for customers of the south east Queensland council water businesses by allowing prices to increase gradually towards cost-reflective levels. Whilst the assistance is primarily targeted at south east Queensland households, industries that purchase water from the council water businesses will also benefit.

Departmental monitoring and assessment

Is the measure monitored?	Yes. The bulk water price path has been reviewed since it was put in place in 2008-09.
Are the economic impacts of the measure evaluated?	No.

BULK WATER RURAL IRRIGATION WATER PRICE SUBSIDY

General information

Description of the measure	A subsidy (CSO) is paid to Seqwater to compensate Seqwater for the extent to which rural irrigation prices are set below the efficient cost of supply.				
Department administering the measure	Department of Energy and Water Supply (DEWS)				
Initial financial year the measure was implemented	2000				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	2,300	2,300	2,300	2,300	-
Administration expenses ($'000)	11	1	1	1	-
Level of assistance (2013-18) ($'000)	9,200				

Notes: The level of assistance in 2015-16 and 2016-17 is based on Seqwater's estimated CSO in 2014-15 in the Queensland Government's 2014-15 Concession Statement. It is assumed 100% of the CSO paid to Seqwater is of benefit to irrigators. Irrigation prices for 2017-18 are yet to be decided. DEWS incurs administration costs from the administration of the CSO agreement.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
100	0	0	0	0	0	0	0

Policy objective

Description of the policy objective	The Queensland Government considered that the increases in irrigation prices required to recover costs were too substantial to occur immediately in certain irrigation schemes. The subsidy aims to reduce price shocks for Seqwater's irrigation customers by allowing prices in certain Seqwater schemes to increase gradually towards cost recovery levels.

Departmental monitoring and assessment

Is the measure monitored?	Yes. The irrigation prices that Seqwater charges its customers are set out in a direction from Seqwater's responsible Ministers. DEWS is responsible for the administration of the CSO agreement.
Are the economic impacts of the measure evaluated?	No.

RURAL IRRIGATION WATER PRICE SUBSIDY

General information

Description of the measure	A subsidy (CSO) is paid to SunWater to compensate SunWater for the extent to which irrigation prices are set below the efficient cost of supply.				
Department administering the measure	Department of Energy and Water Supply (DEWS)				
Initial financial year the measure was implemented	2000				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	7,400	6,000	5,000	4,000	-
Administration expenses ($'000)	2	2	2	2	-
Level of assistance (2013-18) ($'000)	22,400				

Notes: It is assumed 100% of the CSO paid to SunWater is of benefit to irrigators. The CSO is reducing over time as prices transition towards cost recovery levels. Irrigation prices for 2017-18 are yet to be decided. DEWS incurs administration costs from the administration of the CSO agreement.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
100	0	0	0	0	0	0	0

Policy objective

Description of the policy objective	The subsidy aims to reduce price shocks for SunWater's irrigation customers by allowing prices in certain SunWater schemes to increase gradually towards cost recovery levels.

Departmental monitoring and assessment

Is the measure monitored?	Yes. The irrigation prices that SunWater charges its customers are set out in a direction from SunWater's shareholding Ministers. DEWS is responsible for the administration of the CSO agreement.
Are the economic impacts of the measure evaluated?	No.

SUNWATER LIMITED WATER SUPPLY CONTRACTS

General information

Description of the measure	SunWater Limited has a number of historic uncommercial water supply contracts. The concessions to the regional councils represent a benefit to both households and industry. It is not funded through a CSO, but rather through foregone revenue from SunWater.				
Department administering the measure	SunWater's shareholding departments are Department of Energy and Water Supply (DEWS) and Queensland Treasury				
Initial financial year the measure was implemented	2000-01				
Form of assistance	Underpricing of assets				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	10,600	10,500	-	-	-
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	21,100				

Notes: The level of assistance has been calculated using the value of cost under-recovery from water users published in the 2014-15 Concessions Statement. This will represent a benefit to both households and industry. The QCA has estimated the proportion of non-residential regional water use based on data for the Lockyer Valley, Scenic Rim and Somerset council areas (water use data is only available for south east Queensland council areas (provided as part of the QCA's Seqwater bulk water price review) and these three council areas are considered by the QCA to best represent regional council areas), where non-residential water use accounts for 50% of total water use. There are no administration costs incurred by DEWS, as SunWater is responsible for its own charging arrangements for non-irrigation customers. The concession post 2014-15 is yet to be confirmed.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	100	0	0	0	0

Policy objective

Description of the policy objective	The intent of these historic uncommercial water supply contracts is to phase in price rises for SunWater's customers.

Departmental monitoring and assessment

Is the measure monitored?	Yes. SunWater is required to report the extent of under-recovery from its regional council customers.
Are the economic impacts of the measure evaluated?	No.

CLONCURRY COMMUNITY SERVICE OBLIGATION

General information

Description of the measure	A subsidy (CSO) is paid to SunWater in relation to the operation of the Cloncurry Water Pipeline between the Ernest Henry Mine and Cloncurry. The pipeline was constructed to ensure water security for the township of Cloncurry. The CSO compensates SunWater for the costs of constructing the pipeline, which was not in SunWater's commercial interests.				
Department administering the measure	Department of Energy and Water Supply (DEWS)				
Initial financial year the measure was implemented	2010-11				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	2,650	2,750	2,750	-	-
Administration expenses ($'000)	1	1	1	-	-
Level of assistance (2013-18) ($'000)	8,150				

Notes: The level of assistance has been calculated using the value of cost under-recovery from water users published in the 2014-15 Concessions Statement. This will represent a benefit to both households and industry. The QCA has estimated the proportion of non-residential regional water use based on data for the Lockyer Valley, Scenic Rim and Somerset council areas (water use data is only available for south east Queensland council areas (provided as part of the QCA's Seqwater bulk water price review) and these three council areas are considered by the QCA to best represent regional council areas), where non-residential water use accounts for 50% of total water use. The CSO to be paid to SunWater post 2015-16 is yet to be confirmed.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	100	0	0	0	0

Policy objective

Description of the policy objective	The pipeline was constructed to ensure water security for Cloncurry Shire Council. In the absence of a pipeline there was a risk of future water supply failure during periods of extended drought.

Departmental monitoring and assessment

Is the measure monitored?	Yes. SunWater and DEWS monitor the pipeline arrangements.
Are the economic impacts of the measure evaluated?	No.

STANWELL CORPORATION LTD — FIXED WATER GRID CONTRACTS

General information

Description of the measure	Stanwell Corporation, a Government-owned-corporation pays a non-commercial charge for water supply from Seqwater. The fixed component of the water grid charge is non-commercial to the extent that prices paid by Stanwell Corporation are in excess of full cost recovery. The additional revenue paid by Stanwell Corporation to Seqwater is effectively a subsidy as it reduces the costs to be recovered through south east Queensland bulk water prices.				
Department administering the measure	Department of Energy and Water Supply (DEWS)				
Initial financial year the measure was implemented	2008-09				
Form of assistance	Underpricing of assets				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	3,674	3,766	-	-	-
Administration expenses ($'000)	4	4	-	-	-
Level of assistance (2013-18) ($'000)	7,440				

Notes: To the extent that prices paid by Stanwell Corporation is in excess of full cost recovery, the additional revenue paid by Stanwell Corporation to Seqwater is effectively a subsidy as it reduces the costs to be recovered through south east Queensland bulk water prices. The QCA has estimated the level of assistance based on the 2014-15 Concessions Statement. This estimate is based on the full fixed charges paid by Stanwell Corporation. It is likely that this will overestimate the level of assistance as Seqwater will incur costs in the provision of the three bulk water supply agreements with Stanwell Corporation. The charges paid by Stanwell Corporation represent a benefit to both households and industry. The QCA has based the proportion of assistance allocated to industry on water use data for the five water businesses in south east Queensland (provided as part of the QCA's Seqwater bulk water price review), with non-residential water users accounting for 24.3% of costs not recovered and 94.5% of non-residential water is used by for-profit businesses. Stanwell Corporation's Fixed Water Grid Contracts post 2014-15 is yet to be confirmed.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	100	0	0	0	0

Policy objective

Description of the policy objective	To recover the costs incurred by Seqwater in providing bulk water services to Stanwell and, to the extent that there is over-recovery of these costs, this reduces the costs to be recovered in prices paid for bulk water by south east Queensland households and businesses.

Departmental monitoring and assessment

Is the measure monitored?	Yes. The prices paid by Stanwell to Seqwater are set out in bulk water supply agreements.
Are the economic impacts of the measure evaluated?	No.

RURAL WATER USE EFFICIENCY — IRRIGATION FUTURES

General information

Description of the measure	The program funds rural industry bodies to provide technical and financial assistance to irrigators throughout Queensland.				
Department administering the measure	Department of Natural Resources and Mines (DNRM)				
Initial financial year the measure was implemented	2013-14				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	2,000	2,000	2,000	2,000	-
Administration expenses ($'000)	130	130	130	130	-
Level of assistance (2013-18) ($'000)	8,000				

Notes: Administration costs are based on DNRM's estimated employee expenses.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
100	0	0	0	0	0	0	0

Policy objective

Description of the policy objective	To improve the productivity and sustainability of the irrigation sector through the uptake of new technologies and maximising the performance of off-farm irrigation hardware.

Departmental monitoring and assessment

Is the measure monitored?	Yes. DNRM monitor irrigation water use as well as activities undertaken by industry groups and funding provided. Some industry groups survey stakeholders to monitor the uptake of practices by irrigators.
Are the economic impacts of the measure evaluated?	No.

UNIFORM TARIFF POLICY

General information

Description of the measure	The Government's Uniform Tariff Policy ensures that where possible, Queensland non-market electricity customers of a similar type pay the same price for electricity, regardless of where they live. As the notified prices do not reflect the full cost of electricity supply for most remote and regional Queenslanders, a subsidy (CSO) is provided to Ergon Energy and Origin Energy to deliver the Uniform Tariff Policy. The CSO payment to Ergon Energy (the electricity retailer to most of regional and remote Queensland) covers the difference between the costs of supply allowed for in the regulated tariffs and the actual costs in the regional areas (due to differences in network costs and energy losses).				
Department administering the measure	Department of Energy and Water Supply (DEWS)				
Initial financial year the measure was implemented	1936				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	*	331,200	*	*	*
Administration expenses ($'000)	29	29	29	29	29
Level of assistance (2013-18) ($'000)	1,415,750				

*Notes: The level of assistance has been calculated as 50% of the total CSO provided to Ergon Energy and Origin Energy (as local area retailer for the Goondiwindi region). The proportion of the CSO payments directed to households has been excluded from the level of assistance. In 2013-14, the CSO is based on actual expenditure. In 2014-15 the CSO is based on the 2014-15 Concession Statement. Forward estimates of the CSO are based on Ergon Energy February 2015 Tridata Submission and applying $5m for the Origin Energy area. Based on data for the six months to March 2015, it is estimated that approximately 50% of the NEM CSO is provided to non-residential customers. However, this estimate may differ in the forward estimates periods. Estimates exclude GST. * DEWS submitted that these figures are confidential.*

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	100	0	0	0	0

Policy objective

Description of the policy objective	Where possible, the Uniform Tariff Policy enables non-market electricity customers of the same class to access regulated prices and to pay the same price for electricity supply, regardless of geographic location in Queensland.

Departmental monitoring and assessment

Is the measure monitored?	Yes. DEWS monitors the level of the CSO paid to Ergon Energy and Origin Energy.
Are the economic impacts of the measure evaluated?	No.

CS ENERGY LTD — GLADSTONE POWER STATION INTERCONNECTION AND POWER POOLING AGREEMENT (CONFIDENTIAL)

General information

Description of the measure	CS Energy Limited is party to the Interconnection and Power Pooling Agreement, a long-term contract which allows CS Energy to dispatch and partially trade the output of Gladstone Power Station. The costs of maintaining this contract exceed the revenues of the trade which benefits the private sector owners of the Gladstone Power Station.				
Department administering the measure	Department of Energy and Water Supply (DEWS)				
Initial financial year the measure was implemented	1994				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	-	-	-	-	-
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	Unable to quantify — commercial-in-confidence				

Notes: The annual estimates of the level of assistance provided are commercial-in-confidence. However, CS Energy Limited's 2013-14 Annual Report values the liability of the agreement up to the contract expiry date (2029) at $388.6 million, as of 30 June 2014. The extent of the liability is highly sensitive to the pool price forecast and other market factors.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, Gas, Water and Waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	100	0	0	0	0

Policy objective

Description of the policy objective	The Gladstone Power Station was sold in 1994 to support the Boyne Smelter expansion. The Interconnection and Power Pooling Agreement formed part of the terms of this transaction.

Departmental monitoring and assessment

Is the measure monitored?	Yes. CS Energy is required to document the carrying value of the contract in its annual report.
Are the economic impacts of the measure evaluated?	No.

REGULATED SERVICE CHARGES — ENERGEX AND ERGON ENERGY

General information

Description of the measure	Under Schedule 8 of the Electricity Regulation 2006, service charges for a range of services (e.g. disconnection and reconnection of supply) provided by Energex and Ergon Energy to energy retailers are capped. The maximum amount that Energex and Ergon Energy are able to charge for these services is less than the value which the Australian Energy Regulator ascribes to the provision of these services, resulting in a concession provided to energy retailers.				
Department administering the measure	Department of Energy and Water Supply (DEWS)				
Initial financial year the measure was implemented	1994				
Form of assistance	Underpricing of assets				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	6,760	7,120	7,120	7,120	7,120
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	35,240				

Notes: The level of assistance is calculated using an estimate of revenue shortfalls incurred by Energex and Ergon Energy. Based on the estimated network subsidy, the QCA has allocated 40% of the CSO to business customers as an indicative estimate of industry assistance. The level of assistance from 2015-16 to 2017-18 is based on the 2014-15 estimate. The measure is implemented by the Energex and Ergon Energy. DEWS does not incur any administration costs.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	100	0	0	0	0

Policy objective

Description of the policy objective	To make the price of electricity supply more affordable.

Departmental monitoring and assessment

Is the measure monitored?	No.
Are the economic impacts of the measure evaluated?	No.

SOLAR BONUS SCHEME

General information

Description of the measure	The Solar Bonus Scheme involves a government-mandated solar feed-in tariff, which pays eligible customers for the electricity generated from eligible solar photovoltaic (PV) systems and exported to the Queensland electricity grid. This is a subsidy but not a budget outlay as it is paid for by electricity customers.				
Department administering the measure	Department of Energy and Water Supply (DEWS)				
Initial financial year the measure was implemented	2008-09				
Form of assistance	Other				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	277,876	270,214	261,479	252,816	244,267
Administration expenses ($'000)	375	375	375	375	375
Level of assistance (2013-18) ($'000)	1,306,652				

Notes: The level of assistance is calculated as the value of the actual and forecast feed-in tariff payments made under both the 44-cent scheme and the 8-cent scheme (which ceased on 30 June 2014), less the estimated unsubsidised value of the exported energy. The unsubsidised value is calculated as the total number of kWh exported, multiplied by the QCA's estimate of the value of the feed-in tariff to apply in regional Queensland (see QCA 2014b) for each kWh of exported energy. The level of assistance represents the cost of the subsidy, even though some of the assistance is captured by households and solar PV customers (that is, it represents the cost of the subsidy, not the value of assistance that flows through to businesses accessing the scheme and the solar PV industry).

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	0	0	0	100

Policy objective

Description of the policy objective	The Solar Bonus Scheme was implemented to promote energy efficiency, lower solar PV costs in Queensland and grow Queensland's renewable energy industry.

Departmental monitoring and assessment

Is the measure monitored?	Yes. DEWS monitors the feed-in tariff amounts paid to customers, household capital costs associated with installing a PV system, the amount of solar energy exported to the grid and the cost of the policy passed through into residential retail electricity prices.
Are the economic impacts of the measure evaluated?	A preliminary impact assessment was undertaken and the regional feed-in tariff is scheduled for review by 2019. The government has also announced a review into a fair solar feed-in tariff.

GLADSTONE PORTS CORPORATION LIMITED PORT CHARGES CONTRACTS

General information

Description of the measure	The Gladstone Ports Corporation entered into a number of historical contracts at the Port of Gladstone, principally with the mining industry (below commercial rates) to support various industries and government initiatives.				
Department administering the measure	Department of Transport and Main Roads (DTMR)				
Initial financial year the measure was implemented	2005				
Form of assistance	Underpricing of assets				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	47,300	49,400	49,400	49,400	49,400
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	244,900				

Notes: Level of assistance in 2014-15 is based on the Queensland Government's 2014-15 Concession statement. Only aggregate assistance is reported (individual contracts are commercial-in-confidence). The contracts are ongoing and the level of assistance in future years is based on the 2014-15 estimate. Contracts are administered by the Gladstone Ports Corporation, so DTMR does not incur any administration expenses.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	100	0	0	0	0	0	0

Policy objective

Description of the policy objective	The port charges contracts at the Port of Gladstone are historical agreements. No objective has been specified for these agreements.

Departmental monitoring and assessment

Is the measure monitored?	No.
Are the economic impacts of the measure evaluated?	No.

LEASES OF PORT LAND AT CONCESSIONAL RATES

General information

Description of the measure	Concessional leases for land located at the ports of Bundaberg, Mackay, Townsville, Lucinda, Mourilyan and Cairns. In Gladstone, these leases benefit the mining sector (specifically resource processing) while in other ports they generally benefit the sugar industry.				
Department administering the measure	Department of Transport and Main Roads (DTMR)				
Initial financial year the measure was implemented	2006				
Form of assistance	Underpricing of assets				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	10,800	10,800	10,800	10,800	10,800
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	54,000				

Notes: Level of assistance in 2014-15 is based on the Queensland Government's 2014-15 Concession statement. The contracts are ongoing and the level of assistance in future years is based on the 2014-15 estimate. Contracts are administered by the relevant port authorities, so DTMR does not incur any administration expenses.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
77	23	0	0	0	0	0	0

Policy objective

Description of the policy objective	The concessional leases are historical agreements. No objective has been specified for these agreements.

Departmental monitoring and assessment

Is the measure monitored?	No.
Are the economic impacts of the measure evaluated?	No.

RAIL NETWORK AND INFRASTRUCTURE FINANCING

General information

Description of the measure	Funding is provided to Queensland Rail ensure that the rail network is safe, reliable and fit for purpose. Funding is also provided to Queensland Rail to support major capital projects and related asset strategies. The funding directly benefits both freight and passenger customers of the state-supported rail network; however, this inquiry is primarily focused on benefits provided to freight customers.				
Department administering the measure	Department of Transport and Main Roads (DTMR)				
Initial financial year the measure was implemented	-				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	240,405	215,859	216,496	213,813	213,813
Administration expenses ($'000)	123	127	130	133	136
Level of assistance (2013-18) ($'000)	1,100,386				

Notes: The level of assistance is estimated based on the Below Ground Rail components of the Transport Service Contracts that can be attributed to the regional components (44%) of the network. The regional network is generally used by freight operators and long distance passenger services.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	0	0	100	0

Policy objective

Description of the policy objective	To provide affordable freight rail services so that more businesses use rail freight.

Departmental monitoring and assessment

Is the measure monitored?	Yes. DTMR monitors the patronage on government contracted Traveltrain services and the average subsidy per passenger.
Are the economic impacts of the measure evaluated?	No.

REGIONAL FREIGHT AND LIVESTOCK TRANSPORT SERVICE CONTRACTS

General information

Description of the measure	The Queensland Government provides funding for the provision of freight (road and rail) and cattle train services. Fixed price contracts are established with Aurizon so that a minimum number of regional rail and road services are offered to the market, which would otherwise be non-commercial services.				
Department administering the measure	Department of Transport and Main Roads (DTMR)				
Initial financial year the measure was implemented	2010-11				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	131,607	122,595	16,063	-	-
Administration expenses ($'000)	99	100	69	-	-
Level of assistance (2013-18) ($'000)	270,265				

Notes: The Regional Freight Transport Service Contracts expire on 30 June 2015. The Livestock Transport Service Contracts do not expire until December 2015.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
60	0	0	0	10	0	30	0

Policy objective

Description of the policy objective	To deliver the priorities outlined in the Queensland Government's Moving Freight Strategy to expand the use of rail freight and to facilitate greater freight infrastructure investment. Rail freight to regional areas will utilise and maintain existing rail assets to assist in future freight volume growth.

Departmental monitoring and assessment

Is the measure monitored?	Yes. DTMR monitors performance reporting information, such as number of services provided and volume of freight transported. DTMR also has relationship meetings with service providers and stakeholders.
Are the economic impacts of the measure evaluated?	No. However, DTMR has undertaken an economic assessment comparing supported rail with road alternatives for a selection of rail services that it believes remain non-commercial.

LEASING OF RAIL CORRIDORS TO RAILWAY MANAGERS

General information

Description of the measure	The *Transport Infrastructure Act 1994* stipulates that where the railway manager meets all costs of acquiring land for a rail corridor, the state must sublease that land to the railway manager at peppercorn rates. The railway manager, in addition to railway operations, also relieves the state from land owner obligations such as contamination, drainage and fencing. Under these conditions, peppercorn rental payments are not industry assistance, but simply give effect to tenure arrangements. Prior to 1994, Queensland Railways purchased any rail corridor land and since 2010, Aurizon Network Limited has purchased additional land required for inclusion in its network. However, there may be some legacy cases whereby corridors were paid for by taxpayers and gifted to Queensland Rail, where it may constitute industry assistance.				
Department administering the measure	Department of Transport and Main Roads (DTMR)				
Initial financial year the measure was implemented	-				
Form of assistance	Underpricing of assets				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	-	-	-	-	-
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	Unable to quantify				

Notes: Unable to identify the level of assistance provided by this measure, as it is not feasible to establish those railway corridors (and distance of corridors) previously gifted to Queensland Rail or calculate a value of those corridors.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	0	0	100	0

Policy objective

Description of the policy objective	To facilitate rail operations by providing rail corridor land to railway managers.

Departmental monitoring and assessment

Is the measure monitored?	No.
Are the economic impacts of the measure evaluated?	No.

KURANDA SCENIC RAILWAY

General information

Description of the measure	Kuranda Scenic Railway is a 37 km railway line used predominantly for tourist railway services between Cairns and Kuranda. Queensland Rail does not recover the full cost of providing this service, effectively subsidising users of the railway.
Department administering the measure	Department of Transport and Main Roads (DTMR)
Initial financial year the measure was implemented	-
Form of assistance	Underpricing of services

	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	10,300	8,200	8,200	8,200	8,200
Administration expenses ($'000)	4	4	4	4	4
Level of assistance (2013-18) ($'000)	43,100				

Notes: The level of assistance in 2014-15 is estimated based on the Queensland Government's 2014-15 Concession Statement. The amount shown represents the shortfall between revenue and the cost of providing these services. The level of assistance in future years is based on the 2014-15 estimate. Administration costs are based on a proportion of the costs incurred by DTMR to administer Queensland Rail's Rail Network and Infrastructure Financing.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	0	100	0	0

Policy objective

Description of the policy objective	To enable the Kuranda Scenic Railway service to remain operational, supporting tourism in Northern Queensland (specifically Kuranda).

Departmental monitoring and assessment

Is the measure monitored?	No.
Are the economic impacts of the measure evaluated?	No.

HERITAGE RAIL SERVICES

General information

Description of the measure	Queensland Rail repairs and maintains the heritage rail fleet and makes it available to interested parties at below cost. Queensland Rail does not recover the full cost of delivering these services.				
Department administering the measure	Department of Transport and Main Roads (DTMR)				
Initial financial year the measure was implemented	-				
Form of assistance	Underpricing of services				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	5,800	6,200	6,200	6,200	6,200
Administration expenses ($'000)	3	3	3	3	3
Level of assistance (2013-18) ($'000)	30,600				

Notes: The level of assistance in 2014-15 is estimated using the Queensland Government's 2014-15 Concession Statement. The amount shown represents the shortfall between revenue and the cost of providing these services. The level of assistance in future years is based on the 2014-15 estimate. Administration costs are based on a proportion of the costs incurred by DTMR to administer Queensland Rail's Rail Network and Infrastructure Financing.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	0	0	100	0

Policy objective

Description of the policy objective	To maintain and preserve Queensland Rail's heritage locations and to encourage people to visit heritage tourist attractions, contributing to the local tourism industry.

Departmental monitoring and assessment

Is the measure monitored?	No.
Are the economic impacts of the measure evaluated?	No.

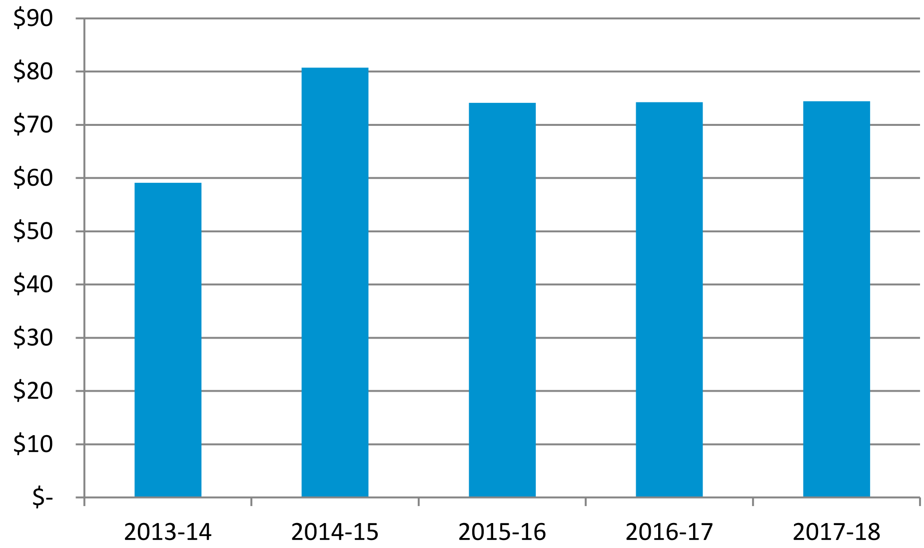
GENERAL BUSINESS AND SMALL TO MEDIUM ENTERPRISES ASSISTANCE MEASURES

General business and SME assistance

There are eight general business and small to medium enterprise (SME) assistance measures.

The total value of general business and SME assistance catalogued (for 2013–14 to 2017–18) is $**362.6** million. In 2013–14, $59 million in general business and SME assistance was provided to Queensland industry.

Figure C.3 General business and SME assistance provided in 2013–14 to 2017–18 ($m)



The main general business and SME measure (by assistance provided) are:

(1) Commercial access to national parks, regional parks, state forests and marine parks — $206.7 million

(2) Trade and Investment Queensland — $130.6 million

Assistance by category

The level of general business and SME assistance consists of $134.9 million (37 per cent) in budgetary outlays, $198.8 million (55 per cent) in underpricing of services and $28.9 million (8 per cent) in underpricing of assets.

Monitoring and evaluation of assistance

From the seven general business and SME measures catalogued, six measures (75 per cent) are monitored in some way by departments. Only one measure has been formally evaluated by departments.

MENTORING FOR GROWTH

General information

Description of the measure	The program facilitates access to volunteer business mentors who assist businesses with the challenges faced when in growth mode, and in seeking investment.				
Department administering the measure	Department of Tourism, Major Events, Small Business and the Commonwealth Games (DTESB)				
Initial financial year the measure was implemented	2003-04				
Form of assistance	Underpricing of services				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	537	576	-	-	-
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	1,113				

Notes: The level of assistance is estimated using a cost-based method. The cost-based method estimates the direct costs incurred by Government to provide the Mentoring for Growth program, which is based on estimated employee expenses. Private sector mentors also provide time to the program free of charge. A nominal value of $300 per hour has been given to their mentor time. The budget is yet to be allocated for this program beyond 2014-15.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
5	0	15	0	5	10	65	0

Policy objective

Description of the policy objective	To help businesses grow and expand into new markets, improve basic business measures for individual businesses (e.g. turnover, profitability and productivity), introduce new innovations and improve business competitiveness through dissemination of ideas and knowledge.

Departmental monitoring and assessment

Is the measure monitored?	Yes. DTESB monitors the change in turnover, profits, employment levels, R&D expenditure for mentored companies. Businesses are surveyed before and after mentoring to provide evidence of the changes in performance following mentoring. DTESB also monitors investment attraction and export performance by companies where relevant.
Are the economic impacts of the measure evaluated?	No.

TRADE AND INVESTMENT QUEENSLAND

General information

Description of the measure	Trade and Investment Queensland (TIQ) is a statutory authority which delivers a range of services to Queensland businesses (usually at no cost to clients) across metropolitan and regional Queensland. TIQ provides services to develop sustainable export markets, improve export capabilities and promote investment opportunities to potential international investors. TIQ's key objective is to facilitate, promote, identify, attract and develop trade and investment opportunities.				
Department administering the measure	Department of Infrastructure, Local Government and Planning (DILGP)				
Initial financial year the measure was implemented	2013-14				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	13,490	33,737	27,573	27,808	27,988
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	130,596				

Notes: The level of assistance is based on forward estimates provided by Queensland Treasury.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
5	35	29	1	5	5	21	0

Policy objective

Description of the policy objective	To facilitate, promote, identify, attract and develop trade and investment opportunities; to conduct research into, and analysis of, trade and investment opportunities; and to partner with governments, industry organisations and international networks to promote Queensland business, and international trade and investment opportunities.

Departmental monitoring and assessment

Is the measure monitored?	No.
Are the economic impacts of the measure evaluated?	No.

PEOPLE AT WORK — MINIMISING THE RISK OF PSYCHOSOCIAL INJURY IN THE WORKPLACE

General information

Description of the measure	A research grant provided by Workplace Health and Safety Queensland (WHSQ) to develop the knowledge and skills of WHSQ's inspectors and Queensland employers with regard to psychosocial risks, including the assessment and management of these risks.				
Department administering the measure	Department of Justice and Attorney-General (DJAG)				
Initial financial year the measure was implemented	2011-12				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	33	-	-	-	-
Administration expenses ($'000)	44	-	-	-	-
Level of assistance (2013-18) ($'000)	33				

Notes: DJAG's financial commitments concluded in 2013-14. Administration expenses account for WHSQ's project team involvement in project management group and related activities.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	0	0	0	100

Policy objective

Description of the policy objective	The sustained reduction in the incidence of work related mental health disorders and associated compensation claims.

Departmental monitoring and assessment

Is the measure monitored?	Yes. Monthly program performance evaluation is undertaken, monitoring the number of businesses that have entered and exited the program and the utilisation of tools and resources by businesses. Quarterly monitoring of claims statistics is also undertaken, with evaluation at the workplace level to be undertaken by the university partners.
Are the economic impacts of the measure evaluated?	No.

THE INJURY PREVENTION AND MANAGEMENT PROGRAM

General information

Description of the measure	The Injury Prevention and Management Program works with employers that have workers' compensation premiums capped at twice the industry rate or have high statutory costs and/or frequency of claims compared to similar sized businesses in their industry. The program assists employers to establish and maintain effective injury management systems to improve health and safety outcomes for workers.				
Department administering the measure	Department of Justice and Attorney-General (DJAG)				
Initial financial year the measure was implemented	2010-11				
Form of assistance	Underpricing of services				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	1,379	3,084	3,148	3,214	3,281
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	14,106				

Notes: The level of assistance provided is estimated using a cost-based method. The cost based method estimates the direct costs incurred by the government to deliver the Injury Prevention and Management Program.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
3	1	26	0	10	0	53	6

Policy objective

Description of the policy objective	To deliver safety and productivity benefits for the individual businesses involved as well as achieve sustained improvement in work health and safety outcomes for Queensland, including the maintenance of a competitive workers' compensation premium rate.

Departmental monitoring and assessment

Is the measure monitored?	Yes. Monthly program performance is undertaken monitoring the number of businesses that have entered and exited the program. WorkCover Queensland undertakes a performance analysis of all businesses that have completed the IPaM program, monitoring the number and costs of statutory claims made.
Are the economic impacts of the measure evaluated?	Yes. Each year the Injury Prevention and Management Program, with the assistance of WorkCover Queensland undertakes an analysis of the workers compensation performance of businesses who have completed the Injury Prevention and Management Program.

SMALL BUSINESS PROGRAM

General information

Description of the measure	The Small Business Program provides free workshops and workplace consultations, as well as access to expert safety advisors and targeted information, on a range of workplace health and safety topics to empower small businesses to develop and embed effective work health and safety solutions into everyday practice.				
Department administering the measure	Department of Justice and Attorney-General (DJAG)				
Initial financial year the measure was implemented	2005-06				
Form of assistance	Underpricing of services				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	998	1,021	1,042	1,154	1,086
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	5,301				

Notes: The level of assistance provided is estimated using a cost-based method. The cost based method estimates the direct costs incurred by Government to deliver the Small Business Program.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	6	0	11	0	6	78

Policy objective

Description of the policy objective	To increase the awareness of injury prevention and safety management in small businesses and improve their capability to prevent and manage workplace injury.

Departmental monitoring and assessment

Is the measure monitored?	Yes. The Office of Fair and Safe Work Queensland collects detailed information related to injuries, industry hazard and risk profiles, and workers' compensation claims experience. DJAG monitors the program's services accessed by businesses, collating the information on a monthly basis. Feedback from participants, such as satisfaction with the program, is also monitored through client surveys and questionnaires. Increases in small businesses' capability and awareness of injury prevention and management are monitored through qualitative measures.
Are the economic impacts of the measure evaluated?	No.

QUEENSLAND SMALL BUSINESS WEEK

General information

Description of the measure	Funding is provided to hold a week of events to promote the importance of small business to the economy and provide business owners and managers the opportunity to access information, hear new ideas, and network with other businesses to support business growth, productivity, resilience and sustainability.				
Department administering the measure	Department of Tourism, Major Events, Small Business and the Commonwealth Games (DTESB)				
Initial financial year the measure was implemented	2012-13				
Form of assistance	Underpricing of services				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	517	-	-	-	-
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	517				

Notes: The level of assistance is estimated using a cost-based method and is based on program expenditure minus program revenue (from ticket sales and sponsorship). Program expenditure includes event delivery, marketing, communication and engagement costs. Funding is yet to be committed for Queensland Small Business Week beyond 2013-14.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	0	0	0	100

Policy objective

Description of the policy objective	To assist business owners/managers to identify new ideas and partnering opportunities, as well as to better understand their industry, market place, customer needs and competition.

Departmental monitoring and assessment

Is the measure monitored?	Yes. DTESB monitors the events delivered and number of attendees to these events. DTESB also surveys attendees to monitor their satisfaction with the event.
Are the economic impacts of the measure evaluated?	No.

CCIQ ECOBIZ PROGRAM

General information

Description of the measure	The ecoBiz program provides tools and resources to assist business and industry to implement efficient water, energy and waste management activities. DEHP provides funding to the Chamber of Commerce and Industry Queensland (CCIQ) to run the ecoBiz program.				
Department administering the measure	Department of Environment and Heritage Protection (DEHP)				
Initial financial year the measure was implemented	2012-13				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	850	1,000	1,017	715	712
Administration expenses ($'000)	158	90	383	165	168
Level of assistance (2013-18) ($'000)	4,294				

Notes: Increase in administration expenses in 2015-16 due to external program evaluation contract. Figures relating to 2016-17 and 2017-18 are subject to consideration and approval. The contract with CCIQ ceases 30 June 2016. No decision has been made to extend or renew the contract at this time.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
4	1	12	0	9	0	58	16

Policy objective

Description of the policy objective	The ecoBiz program encourages businesses to identify and implement sustainable and eco-efficiency practices that reduce energy and water use and the production of waste. The reduced use of energy and water and reduced production of waste will result in long term environmental benefits, as well as reduced utility costs for businesses.

Departmental monitoring and assessment

Is the measure monitored?	Yes. CCIQ monitors the delivery of ecoBiz programs and business participation in these programs.
Are the economic impacts of the measure evaluated?	No.

COMMERCIAL ACCESS TO NATIONAL PARKS, REGIONAL PARKS, STATE FORESTS AND MARINE PARKS

General information

Description of the measure	Queensland Parks and Wildlife Services provides and manages commercial access to national parks, regional parks, state forests and marine parks. Commercial access is generally underpriced and is provided for mining (e.g. mineral and gas exploration and extraction), agricultural (e.g. grazing and beekeeping) and commercial tourism (access to iconic sites) activities, as well as for infrastructure (e.g. power transmission corridors, water distribution pipelines and telecommunications towers).				
Department administering the measure	Department of National Parks, Sport and Racing (DNPSR)				
Initial financial year the measure was implemented	-				
Form of assistance	Underpricing of assets and services				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	41,330	41,330	41,330	41,330	41,330
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	206,650				

Notes: The level of assistance provided is estimated using a cost-based method. The cost based method estimates the direct costs incurred by Government to provide commercial access to these areas. This has been estimated by adding QPWS labour costs ($42,670,000) and capital costs ($6,950,000) that can be directly attributable to supporting commercial access for tourism, filming and photography, mining, agriculture and infrastructure activities, less the revenue received from industry through permits and agreements ($8,290,000). This approach is considered to underestimate the value of assistance as it does not reflect the value of the assets being provided to industry.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	0	0	0	100

Policy objective

Description of the policy objective	Access for commercial activities is provided to realise additional resource, agricultural, tourism and/or recreational values associated with these areas. The objective is to maximise the social and economic opportunities that national parks, regional parks, state forests and marine parks provide the community, whilst ensuring that the existing natural, cultural and resource values of these areas are maintained in the long term.

Departmental monitoring and assessment

Is the measure monitored?	No.
Are the economic impacts of the measure evaluated?	No.

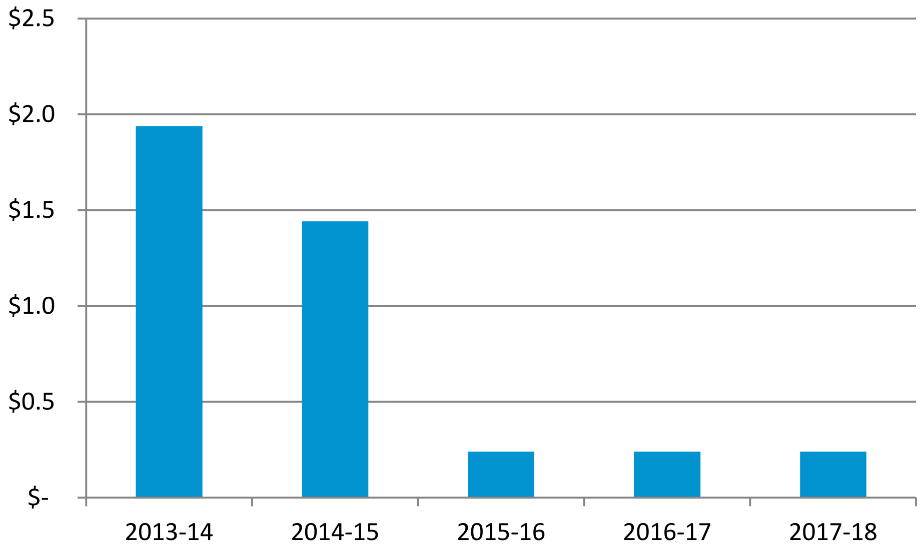
PROCUREMENT ASSISTANCE MEASURES

Procurement assistance

There are seven procurement assistance measures.

The total value of procurement assistance catalogued (for 2013–14 to 2017–18) is $**4.2** million. In 2013–14, $1.95 million in procurement assistance was provided to Queensland industry.

Figure C.4 Procurement assistance provided in 2013–14 to 2017–18 ($m)



The main procurement measures (by assistance provided) are:

(1) Industry Capability Network Services — $2.95 million

(2) Accessing Supply Chain Opportunity Workshops — $0.57 million.

Assistance by category

The level of procurement assistance consists of $2.95 million (71 per cent) in budgetary outlays and $1.2 million (29 per cent) in underpricing of services.

Monitoring and evaluation of assistance

From the seven procurement measures catalogued, six measures (86 per cent) are monitored in some way by departments. Only one measure has been formally evaluated by departments.

ACCESSING SUPPLY CHAIN OPPORTUNITY WORKSHOPS

General information

Description of the measure	The three-day Accessing Supply Chain Opportunity (ASCO) Program has been developed in consultation with proponents in the CSG/LNG and Mining Resources sectors and helps build supplier capability to address and meet the requirements for supply chain opportunities. The program is comprehensive and is both for suppliers and project proponents, particularly those within the resource, gas and energy sectors and is delivered on a demand led basis. The ASCO Program is delivered to help businesses access major project opportunities and meet regional market demand by developing clusters of supply businesses around a major contractor working towards raising the capability of firms currently or potentially supplying to the project.				
Department administering the measure	Department of State Development (DSD)				
Initial financial year the measure was implemented	2013-14				
Form of assistance	Underpricing of services				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	56	109	134	134	134
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	567				

Notes: The level of assistance is estimated using a cost-based method. The cost-based method estimates the direct costs incurred by Government to provide the workshops.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	20	0	45	0	35	0

Policy objective

Description of the policy objective	To help strengthen, and address issues within, the proponents' supply chain and to help suppliers develop a strong customer focus and understanding so that they may respond better to the stringent requirements of proponents.

Departmental monitoring and assessment

Is the measure monitored?	Yes. DSD monitors the number of sessions delivered and number of attendees to these sessions, as well as feedback from clients.
Are the economic impacts of the measure evaluated?	No.

CAPABILITY STATEMENT WORKSHOPS

General information

Description of the measure	Workshops are delivered throughout Queensland to assist firms prepare effective capability statements which are now a key requirement in the prequalification for major government projects and procurement opportunities, as well as for private sector major projects and subcontractor work. A capability statement guide, template and workbook is provided as part of this session. These resources have been endorsed by industry and assist businesses in developing a capability statement for their business.				
Department administering the measure	Department of State Development (DSD)				
Initial financial year the measure was implemented	2011-12				
Form of assistance	Underpricing of services				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	53	55	50	50	50
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	257				

Notes: The level of assistance is estimated using a cost-based method. The cost-based method estimates the direct costs incurred by Government to provide the workshops.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	20	0	45	0	35	0

Policy objective

Description of the policy objective	To assist businesses to promote their capabilities, demonstrate their performance, and effectively compete for tender opportunities.

Departmental monitoring and assessment

Is the measure monitored?	Yes. DSD monitors the number of sessions delivered and number of attendees to these sessions, as well as feedback from clients.
Are the economic impacts of the measure evaluated?	No.

INDUSTRY CAPABILITY NETWORK SERVICES

General information

Description of the measure	Industry Capability Network (ICN) Services represent the suite of assistance measures that are purchased from ICN Qld by the Queensland Government. This incorporates the ICN Gateway and Black Business Finder, ICN Embedment in Major/Iconic Procurement Projects, ICN Gateway Listings, ICN Gateway Registration and Supply Chain Awareness Sessions, Business Matching, Project and Supplier Opportunity Sessions. These initiatives were listed separately in the Draft Catalogue of Assistance Measures.				
Department administering the measure	Department of State Development (DSD)				
Initial financial year the measure was implemented	2010				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	1,752	1,200	-	-	-
Administration expenses ($'000)	80	80	50	50	50
Level of assistance (2013-18) ($'000)	2,952				

Notes: In 2013-14, grants and subsidies were provided to QMI Solutions through a financial incentive agreement to deliver these services. In 2014-15, the delivery of Industry Capability Network Services has changed to DSD purchasing specified services through a contractual agreement. Funding for 2015-16 forward is to be provided through annual agreements which are yet to be negotiated.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	10	20	5	35	0	20	10

Policy objective

Description of the policy objective	To increase the level of participation by Queensland companies in major procurements and projects by proving local supplies with greater visibility of emerging opportunities and helping project proponents and prime contractors to identify capable Queensland suppliers.

Departmental monitoring and assessment

Is the measure monitored?	Yes. DSD monitors the value of private sector capital investment leveraged through industry facilitation.
Are the economic impacts of the measure evaluated?	Yes. An independent review was undertaken by KPMG in 2014 to evaluate and provide clarity in regards to local content services, possible future delivery pathways and funding models, including the engagement of Industry Capability Network Queensland in the delivery of local content services. An outcome is prepared every 12 months.

QUEENSLAND ICT DIRECTORY

General information

Description of the measure	The Queensland ICT Directory is a searchable online tool that enables Queensland businesses to locate a wide range of Queensland ICT solution providers. It also provides a platform to foster links, collaborations and business relationships.				
Department administering the measure	Department of Science, Information Technology and Innovation (DSITI)				
Initial financial year the measure was implemented	2009-10				
Form of assistance	Underpricing of services				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	-	-	-	-	-
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	0				

Notes: The future of the Queensland ICT Directory is currently being considered by DSITI due to legacy ICT issues impacting on its functionality, as well as other comparative platforms becoming available (i.e. QAssure and regional ICT directories). A proposal to discontinue or handover the Queensland ICT Directory is being finalised for departmental decision. To date no funding has been spent on maintaining or upgrading the web-based directory tool. A Program Officer is responsible for day-to-day maintenance and monitoring of the Queensland ICT Directory as part of their responsibilities. Due to the current consideration of the Queensland ICT Directory's future, there is minimal work involved in updating information content or processing submissions from ICT companies and DSITI have noted that administration costs are negligible.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	0	0	100	0

Policy objective

Description of the policy objective	The aim of the ICT Directory is to promote Queensland's ICT capability, identify opportunities for local ICT businesses and assist in addressing service needs of other Queensland businesses and organisations.

Departmental monitoring and assessment

Is the measure monitored?	No.
Are the economic impacts of the measure evaluated?	No.

TENDERING FOR GOVERNMENT BUSINESS (T4GB) WORKSHOPS

General information

Description of the measure	The Tendering for Government Business (T4GB) Workshops is a program for educating industry on the Queensland Government's procurement process.				
Department administering the measure	Department of State Development (DSD)				
Initial financial year the measure was implemented	2000-01				
Form of assistance	Underpricing of services				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	78	78	56	56	56
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	325				

Notes: The level of assistance is estimated using a cost-based method. The cost-based method estimates the direct costs incurred by the government to provide the workshops.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	15	0	55	0	30	0

Policy objective

Description of the policy objective	To improve the capability of suppliers to effectively tender for and win State Government projects and supply opportunities as well as private sector opportunities.

Departmental monitoring and assessment

Is the measure monitored?	Yes. DSD monitors the number of sessions delivered and number of attendees to these sessions, as well as feedback from clients.
Are the economic impacts of the measure evaluated?	No.

TOP 10 TIPS FOR TENDERING SUCCESS WEBINAR

General information

Description of the measure	The Top 10 Tips for Tendering Success Webinar is a free interactive webinar which provides tips to assist current or potential suppliers to the Queensland Government. The webinar aims to increase a supplier's chances of winning government contracts. An electronic workbook which supports and expands on the information provided in the webinar is also provided to suppliers participating in the session.				
Department administering the measure	Department of State Development (DSD)				
Initial financial year the measure was implemented	2013-14				
Form of assistance	Underpricing of services				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	-	-	-	-	-
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	0				

Notes: The level of assistance is estimated using a cost-based method. DSD noted that the cost of providing the webinar presentation is negligible and the production cost for the transcript is only $130. Given the negligible cost of providing this measure, no cost of provision has been provided by DSD.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	15	0	30	0	55	0

Policy objective

Description of the policy objective	Aligned with the Capability Statement and T4GB workshops, this measure seeks to assist businesses in improving their ability to win supply opportunities. It should also contribute to more competitive public sector tender processes to help the government achieve value for money.

Departmental monitoring and assessment

Is the measure monitored?	Yes. DSD monitors the number of sessions delivered and number of attendees to these sessions, as well as feedback from clients.
Are the economic impacts of the measure evaluated?	No.

PARTNERS IN TECHNOLOGY

General information

Description of the measure	Partners in Technology briefings delivered to the local ICT industry provide an update on the ICT strategies of Queensland Government agencies and major Queensland organisations and outline their planned forward procurement related opportunities.				
Department administering the measure	Department of Science, Information Technology and Innovation (DSITI)				
Initial financial year the measure was implemented	2005				
Form of assistance	Underpricing of services				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	13	13	13	13	13
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	66				

Notes: The level of assistance provided is estimated using a cost-based method. The cost based method estimates the direct costs incurred by the government to provide the Partners in Technology briefings. Estimates are based on 2013-14 costs.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	0	0	100	0

Policy objective

Description of the policy objective	The objective of the program is to enable the ICT sector to better understand and participate in major ICT purchasing processes occurring throughout Queensland, so that government agencies, universities and corporations receive more concise and competitive tenders from ICT businesses.

Departmental monitoring and assessment

Is the measure monitored?	Yes. DSITI monitors feedback from Partners in Technology (PiT) participants, including whether participant were satisfied with the event and whether participants have successfully secured contracts and agreements within the last 12 months as a result of information obtained from PiT briefing sessions.
Are the economic impacts of the measure evaluated?	No.

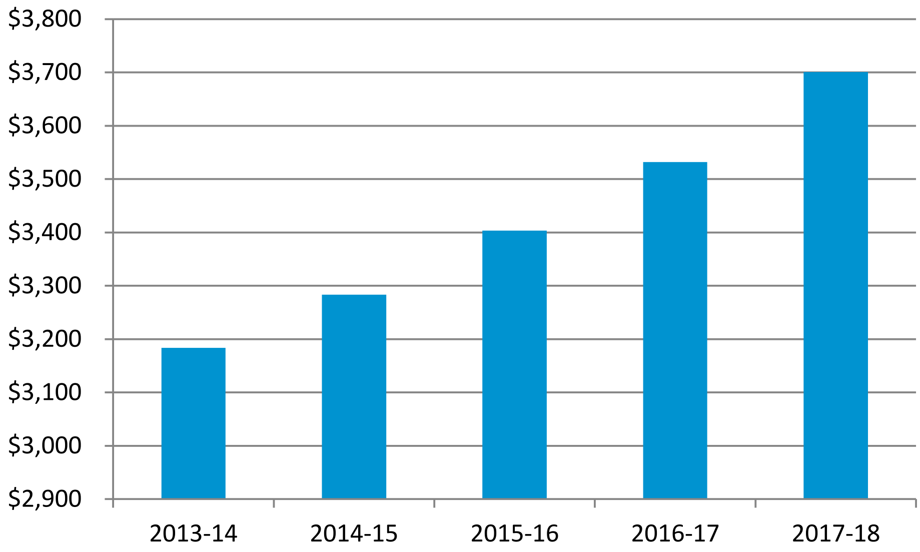
TAX CONCESSION ASSISTANCE MEASURES

Tax concessions

There are 12 tax concession assistance measures.

The total value of tax concession assistance catalogued (for 2013–14 to 2017–18) is $**17.**1 billion. In 2013–14, $3.18 billion in tax concession assistance was provided to Queensland industry.

Figure C.5 Tax concessions assistance provided in 2013–14 to 2017–18 ($m)



The main tax concessions measures (by assistance provided) are:

(1) Payroll Tax—Exemption Threshold and Deduction Scheme — $7.9 billion

(2) Land Tax—Liability Thresholds — $2.9 billion

(3) Land Tax—Graduated Land Tax Scale — $2.6 billion

(4) Private Health Insurance Concession — $1.9 billion

(5) Payroll Tax—Exempt Employees — $0.98 billion.

Monitoring and evaluation of assistance

From the 12 tax concession measures catalogued, no measures are monitored or formally evaluated by departments.

CASINO TAX CONCESSION

General information

Description of the measure	A tax rate of 20% of gross revenue applies for standard transactions in the Brisbane and Gold Coast casinos, while a concessional tax rate of 10% applies for gross revenue from standard transactions in the Cairns and Townsville casinos. The tax rate applicable to gaming machines in casinos is 30% of gross revenue in Brisbane and Gold Coast casinos and 20% in the Cairns and Townsville casinos. In addition, concessional rates of 10% apply for revenue from high rollers in all casinos. A GST credit is provided to casinos that approximates a reduction in the above tax rates of 9.09%.				
Department administering the measure	Queensland Treasury (QT)				
Initial financial year the measure was implemented	-				
Form of assistance	Tax concession				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	9,539	9,825	10,120	10,424	10,736
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	50,644				

Notes: Queensland Government tax concessions are measured using the revenue foregone approach. This approach measures how much tax revenue is reduced relative to a benchmark for each tax concession. It compares the current/prospective treatment to a 'benchmark treatment' assuming taxpayer behaviour is unchanged. No administration costs have been provided by QT.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	0	0	100	0

Policy objective

Description of the policy objective	The standard concession for regional casinos (i.e. lower rates than those which apply in Brisbane/Gold Coast) is designed to address the smaller scale of these casinos and the distance from the major domestic market of south east Queensland. The concession for high rollers (relative to standard rates) is designed to recognise the strong international competition for these customers. The measure is designed to provide a competitive tax environment without reducing the tax payable on the standard operations in Brisbane and the Gold Coast.

Departmental monitoring and assessment

Is the measure monitored?	No. There is monitoring in the sense of implementation of the tax system, including concessions, but there is no monitoring or evaluation of intended outcomes.
Are the economic impacts of the measure evaluated?	No.

FIRST HOME VACANT LAND CONCESSION

General information

Description of the measure	For transfers of first home vacant land, consideration of up to $250,000 is exempt from transfer duty. For first home vacant land with consideration greater than $250,000, transfer duty concession starts from $7,175 and reduces by $475 for every $10,000 increase in consideration. No concession is available for transfers of first home vacant land with consideration of $400,000 or more.				
Department administering the measure	Queensland Treasury (QT)				
Initial financial year the measure was implemented	-				
Form of assistance	Tax concession				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	18,000	21,590	21,880	22,450	23,850
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	107,770				

Notes: Queensland Government tax concessions are measured using the revenue foregone approach. This approach measures how much tax revenue is reduced relative to a benchmark for each tax concession. It compares the current/prospective treatment to a 'benchmark treatment' assuming taxpayer behaviour is unchanged. No administration costs have been provided by QT.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	100	0	0	0

Policy objective

Description of the policy objective	To avoid an economic distortion that would arise if a first home concession was available only for established dwellings, and not vacant land (the construction of new homes). The first home concession is out-of-scope for this review.

Departmental monitoring and assessment

Is the measure monitored?	No. There is monitoring in the sense of implementation of the tax system, including concessions, but there is no monitoring or evaluation of intended outcomes.
Are the economic impacts of the measure evaluated?	No.

LAND TAX — GRADUATED LAND TAX SCALE

General information

Description of the measure	A graduated (concessional) scale of land tax rates is applicable to land with a taxable value of less than $5 million for resident individuals and companies, trustees and absentees.				
Department administering the measure	Queensland Treasury (QT)				
Initial financial year the measure was implemented:	-				
Form of assistance	Tax concession				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	493,000	499,000	518,700	539,700	561,320
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	2,611,720				

Notes: Queensland Government tax concessions are measured using the revenue foregone approach. This approach measures how much tax revenue is reduced relative to a benchmark for each tax concession. It compares the current/prospective treatment to a 'benchmark treatment' assuming taxpayer behaviour is unchanged. The benchmark rates used for estimating the tax expenditures were 1.75% for individuals and 2.0% for companies, trustees and absentees. No administration costs have been provided by QT.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	0	0	0	100

Policy objective

Description of the policy objective	There is not a specific policy objective other than to influence who bears the cost of land taxation. Graduated land tax rates reflect equity judgements.

Departmental monitoring and assessment

Is the measure monitored?	No. There is monitoring in the sense of implementation of the tax system, including concessions, but there is no monitoring or evaluation of intended outcomes.
Are the economic impacts of the measure evaluated?	No.

LAND TAX — LAND DEVELOPER'S CONCESSION

General information

Description of the measure	Land tax payable by land developers has been worked out on the basis that the unimproved value of (undeveloped) land subdivided in the previous financial year and which remains unsold at 30 June of that year is 60% of the Valuer-General's value. Pursuant to the Land Tax Act 2010.				
Department administering the measure	Queensland Treasury (QT)				
Initial financial year the measure was implemented	1998-99				
Form of assistance	Tax concession				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	18,000	18,000	18,000	18,000	18,000
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	90,000				

Notes: Queensland Government tax concessions are measured using the revenue foregone approach. This approach measures how much tax revenue is reduced relative to a benchmark for each tax concession. It compares the current/prospective treatment to a 'benchmark treatment' assuming taxpayer behaviour is unchanged. No administration costs have been provided by QT.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	100	0	0	0

Policy objective

Description of the policy objective	The land tax regime operates by calculating tax on the value of land at a particular point in time, without taking into account the impact of re-zoning or development on that value. The approach assumes that the single point value reflects the value that applied during the whole year, which is not likely to be the case for land developed during the year. The concession recognises that the value of land is likely to have been lower than at the date of the single land valuation used for the calculation of land tax.

Departmental monitoring and assessment

Is the measure monitored?	No. There is monitoring in the sense of implementation of the tax system, including concessions, but there is no monitoring or evaluation of intended outcomes.
Are the economic impacts of the measure evaluated?	No.

LAND TAX — LIABILITY THRESHOLDS

General information

Description of the measure	Land tax is payable on the value of taxable land equal to or above a threshold which depends on the land's ownership. The threshold for companies, trusts and absentees is $350,000 and for resident individuals the threshold is $600,000. Land owned by resident individuals as their principal place of residence is excluded from the estimate. The exemption from paying below a minimum amount is not included as a tax expenditure as it is regarded as the application of an administration threshold.				
Department administering the measure	Queensland Treasury (QT)				
Initial financial year the measure was implemented	-				
Form of assistance	Tax concession				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	542,000	549,000	570,600	593,400	617,100
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	2,872,100				

Notes: Queensland Government tax concessions are measured using the revenue foregone approach. This approach measures how much tax revenue is reduced relative to a benchmark for each tax concession. It compares the current/prospective treatment to a 'benchmark treatment' assuming taxpayer behaviour is unchanged. No administration costs have been provided by QT.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	0	0	0	100

Policy objective

Description of the policy objective	To avoid an excessive administrative burden and the associated administrative and compliance costs (for governments and taxpayers, respectively). Higher thresholds support those businesses below the thresholds, and increase the competitiveness of the tax system versus other jurisdictions for exempt businesses.

Departmental monitoring and assessment

Is the measure monitored?	No. There is monitoring in the sense of implementation of the tax system, including concessions, but there is no monitoring or evaluation of intended outcomes.
Are the economic impacts of the measure evaluated?	No.

LAND TAX — PRIMARY PRODUCTION DEDUCTION

General information

Description of the measure	Land that is used for the business of agriculture, pasturage or dairy farming is excluded for the taxable value of land owned by a resident individual, trustee or some absentees and companies.				
Department administering the measure	Queensland Treasury (QT)				
Initial financial year the measure was implemented	-				
Form of assistance	Tax concession				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	93,000	94,000	97,900	101,800	105,900
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	492,600				

Notes: Queensland Government tax concessions are measured using the revenue foregone approach. This approach measures how much tax revenue is reduced relative to a benchmark for each tax concession. It compares the current/prospective treatment to a 'benchmark treatment' assuming taxpayer behaviour is unchanged. No administration costs have been provided by QT.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
100	0	0	0	0	0	0	0

Policy objective

Description of the policy objective	To alter at the margin the relative returns from alternative land uses (e.g. it changes the relative returns of land on the periphery of cities between agricultural and residential uses). It also reflects judgements about who should bear the legal incidence of taxation.

Departmental monitoring and assessment

Is the measure monitored?	No. There is monitoring in the sense of implementation of the tax system, including concessions, but there is no monitoring or evaluation of intended outcomes.
Are the economic impacts of the measure evaluated?	No.

PAYROLL TAX — EXEMPTION THRESHOLD AND DEDUCTION SCHEME

General information

Description of the measure	If the employer's annual Australian wages are less than $1.1 million, they do not have to pay payroll tax and they are not required to register with Office of State Revenue. For employers with annual wages over $1.1 million, the deduction reduces by $1 for every $4 that the wages exceed the $1.1 million threshold until the deduction tapers to zero. When the employer's Australian wages reach $5.5 million, the deduction amount is at zero.				
Department administering the measure	Queensland Treasury (QT)				
Initial financial year the measure was implemented	-				
Form of assistance	Tax concession				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	1,480,000	1,524,000	1,569,000	1,617,000	1,697,000
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	7,887,000				

Notes: Queensland Government tax concessions are measured using the revenue foregone approach. This approach measures how much tax revenue is reduced relative to a benchmark for each tax concession. It compares the current/prospective treatment to a 'benchmark treatment' assuming taxpayer behaviour is unchanged. No administration costs have been provided by QT.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
3	3	12	1	12	0	68	1

Policy objective

Description of the policy objective	To reduce government administrative costs and small business compliance costs and provide assistance to small to medium sized businesses. The concessions contribute to a competitive tax environment to encourage economic growth. The Deduction Scheme seeks to reduce deterrence to further growth as businesses approach the Exemption Thresholds.

Departmental monitoring and assessment

Is the measure monitored?	No. There is monitoring in the sense of implementation of the tax system, including concessions, but there is no monitoring or evaluation of intended outcomes.
Are the economic impacts of the measure evaluated?	No.

PAYROLL TAX — EXEMPT EMPLOYEES

General information

Description of the measure	Wages paid to apprentices, trainees and other qualified employees are exempt from payroll tax, subject to certain conditions.				
Department administering the measure	Queensland Treasury (QT)				
Initial financial year the measure was implemented	-				
Form of assistance	Tax concession				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	184,500	189,900	195,400	201,400	211,100
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	982,300				

Notes: Queensland Government tax concessions are measured using the revenue foregone approach. This approach measures how much tax revenue is reduced relative to a benchmark for each tax concession. It compares the current/prospective treatment to a 'benchmark treatment' assuming taxpayer behaviour is unchanged. No administration costs have been provided by QT.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
1	3	17	2	21	0	55	1

Policy objective

Description of the policy objective	To reduce the cost of employing apprentices, trainees and other qualified employees, providing an incentive to employ more of these types of employees than would otherwise be the case.

Departmental monitoring and assessment

Is the measure monitored?	No. There is monitoring in the sense of implementation of the tax system, including concessions, but there is no monitoring or evaluation of intended outcomes.
Are the economic impacts of the measure evaluated?	No.

LAND TAX — MOVEABLE DWELLING PARKS

General information

Description of the measure	A moveable dwelling park is a place where caravan or manufactured home sites are leased or rented. An exemption can be claimed if the land is used predominantly as a moveable dwelling park and more than 50% of sites in the park are occupied, or solely available for occupation, for residential purposes for periods of more than six weeks at a time.				
Department administering the measure	Queensland Treasury (QT)				
Initial financial year the measure was implemented	-				
Form of assistance	Tax concession				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	8,000	8,100	8,400	8,760	9,100
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	42,360				

Notes: Queensland Government tax concessions are measured using the revenue foregone approach. This approach measures how much tax revenue is reduced relative to a benchmark for each tax concession. It compares the current/prospective treatment to a 'benchmark treatment' assuming taxpayer behaviour is unchanged. No administration costs have been provided by QT.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	0	0	100	0

Policy objective

Description of the policy objective	To reflect a view that permanent accommodation in this facility has some (but not all) of the characteristics of a principal place of residence and attempts to reduce any distortion that may arise from the principal place of residence being exempt from land tax.

Departmental monitoring and assessment

Is the measure monitored?	No. There is monitoring in the sense of implementation of the tax system, including concessions, but there is no monitoring or evaluation of intended outcomes.
Are the economic impacts of the measure evaluated?	No.

LAND TAX — AGED CARE FACILITIES (INCLUDING RETIREMENT VILLAGES)

General information

Description of the measure	A taxpayer may be able to claim a land tax exemption if the land is used as the location for an aged care facility. This exemption applies to facilities that are an approved provider under the Aged Care Act 1997 (Cwlth). A taxpayer may be able to claim an exemption if the land is used for premises or facilities for residents of a retirement village. This exemption applies to facilities registered under the Retirement Villages Act 1999.				
Department administering the measure	Queensland Treasury (QT)				
Initial financial year the measure was implemented	-				
Form of assistance	Tax concession				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	3,260	3,300	3,430	3,570	3,710
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	17,270				

Notes: Queensland Government tax concessions are measured using the revenue foregone approach. This approach measures how much tax revenue is reduced relative to a benchmark for each tax concession. It compares the current/prospective treatment to a 'benchmark treatment' assuming taxpayer behaviour is unchanged. No administration costs have been provided by QT.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	0	0	100	0

Policy objective

Description of the policy objective	To reflect a view that permanent accommodation in this facility has some (but not all) of the characteristics of a principle place of residence and to reduce any distortion that may arise from the principle place of residence being exempt from land tax.

Departmental monitoring and assessment

Is the measure monitored?	No. There is monitoring in the sense of implementation of the tax system, including concessions, but there is no monitoring or evaluation of intended outcomes.
Are the economic impacts of the measure evaluated?	No.

PRIVATE HEALTH INSURANCE CONCESSION

General information

Description of the measure	Duty is payable on insurance products in Queensland. An exemption from duty is provided for private health insurance.				
Department administering the measure	Queensland Treasury (QT)				
Initial financial year the measure was implemented	-				
Form of assistance	Tax concession				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	333,000	365,400	389,200	414,500	441,400
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	1,943,500				

Notes: Queensland Government tax concessions are measured using the revenue foregone approach. This approach measures how much tax revenue is reduced relative to a benchmark for each tax concession. It compares the current/prospective treatment to a 'benchmark treatment' assuming taxpayer behaviour is unchanged. No administration costs have been provided by QT.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	0	0	100	0

Policy objective

Description of the policy objective	To reduce the cost of private health insurance, thereby avoiding a reduction in private health coverage and an increase in demands on government-funded health services.

Departmental monitoring and assessment

Is the measure monitored?	No. There is monitoring in the sense of implementation of the tax system, including concessions, but there is no monitoring or evaluation of intended outcomes.
Are the economic impacts of the measure evaluated?	No.

MOTOR VEHICLE DUTY — AGRICULTURAL VEHICLES

General information

Description of the measure	An exemption is available to primary producers if an agricultural vehicle has a gross vehicle mass of more than 6 tonnes under the transport operations and will be used solely in a business of primary production.				
Department administering the measure	Queensland Treasury (QT)				
Initial financial year the measure was implemented	-				
Form of assistance	Tax concession				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	1,000	1,000	1,030	1,090	1,130
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	5,250				

Notes: Queensland Government tax concessions are measured using the revenue foregone approach. This approach measures how much tax revenue is reduced relative to a benchmark for each tax concession. It compares the current/prospective treatment to a 'benchmark treatment' assuming taxpayer behaviour is unchanged. No administration costs have been provided by QT.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
100	0	0	0	0	0	0	0

Policy objective

Description of the policy objective	The concession primarily reflects judgements about who should bear the legal incidence of taxation.

Departmental monitoring and assessment

Is the measure monitored?	No. There is monitoring in the sense of implementation of the tax system, including concessions, but there is no monitoring or evaluation of intended outcomes.
Are the economic impacts of the measure evaluated?	No.

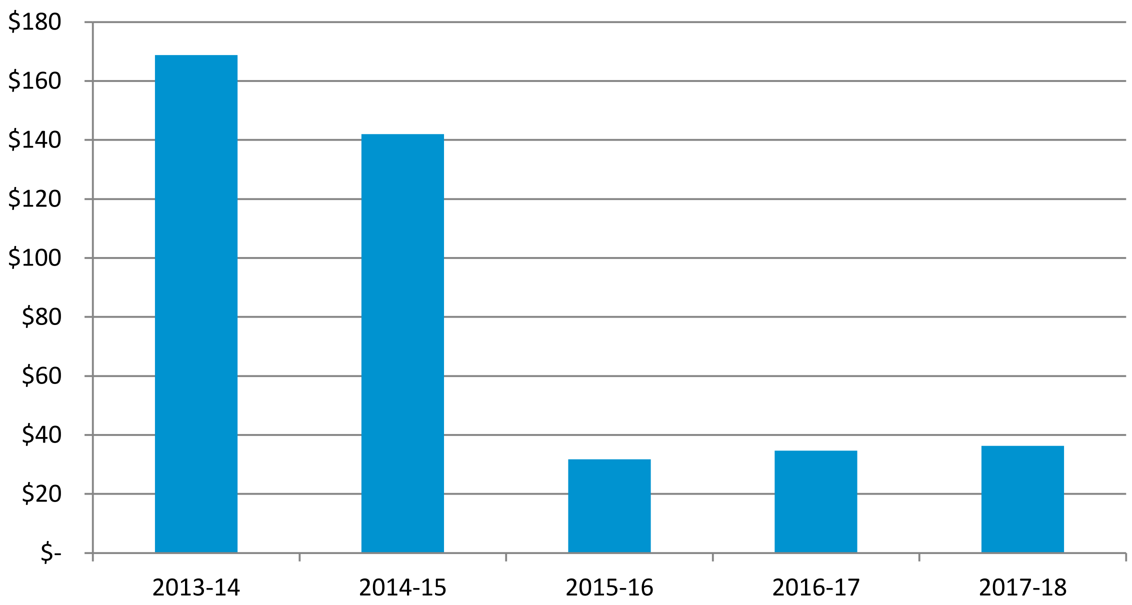
AGRICULTURE, FISHERIES AND FORESTRY ASSISTANCE MEASURES

Agricultural assistance

There are 19 agriculture, fisheries and forestry assistance measures.

The total value of agriculture, fisheries and forestry assistance catalogued (for 2013–14 to 2017–18) is $**422** million. In 2013–14, $168 million in agriculture, fisheries and forestry assistance was provided to Queensland industry.

Figure C.6 Agriculture, fisheries and forestry assistance provided in 2013–14 to 2017–18 ($m)



The main agriculture, fisheries and forestry measures (by assistance provided) are:

(1) Biosecurity Response and Recovery — $149 million

(2) Rural Leasehold Land Rentals— $68 million

(3) Drought Relief Assistance Scheme: Freight Subsidies and Emergency Water Infrastructure Rebate — $61 million

(4) Industry Development and Market Development — $55 million.

Assistance by category

The level of agriculture, fisheries and forestry assistance consists of $151 million (36 per cent) in budgetary outlays, $76 million (18 per cent) in underpricing of assets and $195 million (46 per cent) in underpricing of services.

Monitoring and evaluation of assistance

From the 19 agriculture, fisheries and forestry measures catalogued, 11 measures (58 per cent) are monitored in some way by departments. Only five measures (26 per cent) have been formally evaluated by departments.

AGRICULTURAL LAND AUDIT

General information

Description of the measure	The Agricultural Land Audit program provides a comprehensive review of current and potential agricultural land in Queensland, socio-economic studies and mapping tools of these areas.				
Department administering the measure	Department of Agriculture and Fisheries (DAF)				
Initial financial year the measure was implemented	2012-13				
Form of assistance	Underpricing of services				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	739	350	-	-	-
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	1,089				

Notes: The level of assistance is estimated using a cost-based method. The cost-based method estimates the direct costs incurred by the government to provide the Agricultural Land Audit.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
95	0	0	0	0	0	5	0

Policy objective

Description of the policy objective	To provide information that may be used to make more informed decisions for the agriculture sector. For example, this information may be used to develop regulation or planning schemes, inform the development of agriculture production in new areas, protect the environment and increase a landholder's knowledge of their land.

Departmental monitoring and assessment

Is the measure monitored?	Yes. The Land Audit team keeps track of the number of downloads of its products, how the information is used across government policy and the number of people attending training sessions.
Are the economic impacts of the measure evaluated?	No.

BIOSECURITY RESPONSE AND RECOVERY

General information

Description of the measure	The Biosecurity Response and Recovery Program provides funds for the prevention, preparedness, eradication and/or containment responses for nationally significant animal and plant pests and diseases. These funds are also used to manage established (endemic) pests and diseases that are of national and state significance.				
Department administering the measure	Department of Agriculture and Fisheries (DAF)				
Initial financial year the measure was implemented	1915				
Form of assistance	Underpricing of services and budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	69,000	69,000	4,081	3,732	3,052
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	148,865				

Notes: The majority of assistance provided is for the provision of services undertaken by DAF. This assistance is estimated using a cost-based method. The cost-based method estimates the direct costs incurred by the government to deliver biosecurity response and recovery services. No budget has been allocated or approved for these services from 2015-16. A small proportion of the assistance (including $2,443 in 2013-14, $6,771 in 2014-15) includes funding for the National Cost Sharing Emergency Response Programs.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
70	0	0	0	5	10	5	10

Policy objective

Description of the policy objective	To minimise the impacts of pests and diseases on Australian industries, communities and the environment. Pests and diseases can reduce productivity, prevent market access, harm human health and damage the environment.

Departmental monitoring and assessment

Is the measure monitored?	Yes. Specific indicators are monitored within each pest and disease response plan or strategy depending on the specific pest or disease being managed. For example, the percentage of fire ants eradicated will be monitored as part of the fire ants response plan.
Are the economic impacts of the measure evaluated?	Yes. A separate cost–benefit analysis is undertaken for each national cost shared response. Analysis was also undertaken during the development of the Biosecurity Act 2014.

BOVINE JOHNE'S DISEASE ASSISTANCE SCHEME AND SUPPLEMENTARY PAYMENTS SCHEME

General information

Description of the measure	The Bovine Johne's disease Assistance Scheme and Supplementary Payments Scheme provide financial assistance for farmers who have been affected by Bovine Johne's disease. The Assistance Scheme comprises two components: the Direct Market Assistance Program for landholders whose cattle have had to be slaughtered; and the Supply Chain Pathway Assistance Program for landholders whose cattle have been quarantined for six months or more and whose property is under a property disease eradication program. The Bovine Johne's disease Supplementary Payments Scheme provides one-off payments of up to $8,000 to any producer whose cattle were quarantined for a period of greater than two months for Bovine Johne's disease.				
Department administering the measure	Department of Agriculture and Fisheries (DAF)				
Initial financial year the measure was implemented	2013-14.				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	2,100	1,300	-	-	-
Administration expenses ($'000)	273	211	-	-	-
Level of assistance (2013-18) ($'000)	3,400				

Notes: Assistance and employee expenses from 2014-15 onwards are dependent upon industry response (uptake) of available assistance measures and whether there are further Bovine Johne's disease events.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
100	0	0	0	0	0	0	0

Policy objective

Description of the policy objective	The schemes provide farmers with assistance to carry on during, and manage the outbreak of, Bovine Johne's disease and to assist in recovery following an event.

Departmental monitoring and assessment

Is the measure monitored?	No.
Are the economic impacts of the measure evaluated?	No.

HENDRA VIRUS PERSONAL PROTECTIVE EQUIPMENT REBATE SCHEME

General information

Description of the measure	The scheme provides a rebate to assist private veterinarian practices in offsetting the cost of eligible personal protective equipment used by veterinarian surgeons when testing suspected Hendra virus cases.				
Department administering the measure	Department of Agriculture and Fisheries (DAF)				
Initial financial year the measure was implemented	2012-13				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	28	48	-	-	-
Administration expenses ($'000)	4	7	-	-	-
Level of assistance (2013-18) ($'000)	76				

Notes: This measure has been allocated no budget from 2015-16 to 2017-18. Funding will depend on demand (requests from veterinarians for rebates). Assistance is provided by the Queensland Rural Adjustment Authority. At this point in time this measure is expected to cease at the end of the 2015-16 financial year and the uptake of the rebates is predicted to be significantly higher that year.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
30	0	0	0	0	0	70	0

Policy objective

Description of the policy objective	To ensure that veterinarians can afford the appropriate personal protective equipment required to manage Hendra virus cases.

Departmental monitoring and assessment

Is the measure monitored?	Yes. DAF monitors whether the program funds are administered in accordance with the program design and the extent of industry uptake of the program. Feedback is also collected anecdotally as to whether private veterinarians involved in cases of Hendra virus have utilised appropriate PPE when examining animals and have avoided exposure to the virus.
Are the economic impacts of the measure evaluated?	No.

WATER FEE RELIEF

General information

Description of the measure	Waiver of annual water licence fees for landholders, irrigators, primary producers and businesses impacted by floods and drought.				
Department administering the measure	Department of Natural Resources and Mines (DNRM)				
Initial financial year the measure was implemented	2013-14				
Form of assistance	Underpricing of assets				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	304	1,000	811	811	811
Administration expenses ($'000)	6	16	14	14	14
Level of assistance (2013-18) ($'000)	3,737				

Notes: For 2014-15, the budgeted amount for the water fee relief measure has been estimated based on 14,000 water licences at $71.50 per licence per year. For 2015-16 and future years, the budget has been estimated based on 10,964 water licences at the fee charged at $74.00 per water licence. The Minister needs to approve the extension of the relief measure on a yearly basis for 2015-16 onwards.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
100	0	0	0	0	0	0	0

Policy objective

Description of the policy objective	To provide relief for landholders, irrigators, primary producers and businesses who have been impacted by floods and drought and are facing financial hardship as a result.

Departmental monitoring and assessment

Is the measure monitored?	No.
Are the economic impacts of the measure evaluated?	No.

DROUGHT CARRY-ON FINANCE AND RECOVERY SCHEMES

General information

Description of the measure	The Drought Carry-on Finance Scheme provides loans at concessional rates of interest to assist primary producers in drought affected areas, where additional funding is required to meet operational and financial expenses. The Drought Recovery Scheme provides loans at concessional rates of interest to assist primary producers in drought affected areas to commence their drought recovery activities by re-establishing their enterprise through restocking, replanting or invigorating post-drought crops.				
Department administering the measure	Department of Agriculture and Fisheries (DAF)				
Initial financial year the measure was implemented	2002-03				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	-	-	-	-	-
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	0				

Notes: Assistance under the Drought Carry-on and Drought Recovery Scheme is currently not activated, and no new loans have been provided in the past five years. There are currently 84 outstanding loans.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
100	0	0	0	0	0	0	0

Policy objective

Description of the policy objective	To assist Queensland primary producers in drought affected areas that are impacted to such an extent that additional funding is required to meet operational and financial expenses, and to assist with re-establishing enterprises via restocking, replanting or invigorating post-drought crops.

Departmental monitoring and assessment

Is the measure monitored?	Yes. Queensland Rural Adjustment Authority reports scheme outcomes and undertakes annual surveys of DAF's satisfaction with service delivery and scheme outcomes. Biennial independent market research is also used to assess client awareness and satisfaction of the scheme.
Are the economic impacts of the measure evaluated?	No.

DROUGHT RELIEF ASSISTANCE SCHEME: FREIGHT SUBSIDIES AND EMERGENCY WATER INFRASTRUCTURE REBATE

General information

Description of the measure	The Freight Subsidies provide fodder and water freight subsidies of up to 50% for producers with a drought declaration to help producers keep core flocks and herds alive and accelerate recovery from drought. The Emergency Water Infrastructure Rebate provides water infrastructure rebates of up to 50% for producers in drought declared areas that have run out, or about to run out, of stock water. The rebate aims to provide emergency animal welfare assistance during a drought while permanently improving businesses' ability to cope with future droughts.				
Department administering the measure	Department of Agriculture and Fisheries (DAF)				
Initial financial year the measure was implemented	The Freight Subsidies component commenced in 1960s and the Emergency Water Infrastructure Rebate commenced in 2013.				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	23,859	37,250	-	-	-
Administration expenses ($'000)	767	1,017	-	-	-
Level of assistance (2013-18) ($'000)	61,109				

Notes: Uptake of the Drought Relief Assistance Scheme is entirely contingent on drought conditions. Drought Relief Assistance Scheme expenditure is negligible in non-drought years. No expenditure has been forecast from 2015-16 to 2017-18 on the assumption the drought will end this wet season. However, if the drought does not end then expenditure will continue. Staff numbers progressively increased during 2013-14 as the rate of claims increased.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
100	0	0	0	0	0	0	0

Policy objective

Description of the policy objective	Freight subsidies assist farmers to maintain their core breeding herds during drought allowing farmers to recover from drought more quickly. The Emergency Water Infrastructure Rebate supports the purchase of water infrastructure for cattle to improve animal welfare and improve resilience in future droughts.

Departmental monitoring and assessment

Is the measure monitored?	No.
Are the economic impacts of the measure evaluated?	Yes. Government drought assistance, including the Drought Relief Assistance Scheme, is reviewed. It was reviewed most recently through the Productivity Commission's report into Government Drought Support in 2009.

DROUGHT RELIEF FROM ELECTRICITY CHARGES SCHEME

General information

Description of the measure	The Drought Relief from Electricity Charges Scheme provides assistance to farmers/irrigators in drought declared areas in Queensland who cannot use pumping equipment due to restricted water supply. This assistance takes the form of reimbursement for the fixed charges of electricity accounts used for pumping water for farming or irrigation purposes.				
Department administering the measure	Department of Energy and Water Supply (DEWS)				
Initial financial year the measure was implemented	2007-08				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	-	10	140	-	-
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	150				

Notes: The assistance noted above is for south east Queensland only. For regional Queensland, Ergon Energy grants a fixed charge waiver to eligible accounts and recovers these costs through the government CSO payments. Ergon advised that it does not have forward estimates since the costs of the program depends on the government drought declaration process. DEWS does not incur any administration costs from this program.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
100	0	0	0	0	0	0	0

Policy objective

Description of the policy objective	The scheme provides short-term financial relief to farmers and irrigators to maintain use of equipment which is unable to be effectively operated during drought.

Departmental monitoring and assessment

Is the measure monitored?	Yes. The scheme is reported under the whole-of-government drought assistance provided.
Are the economic impacts of the measure evaluated?	No.

INDUSTRY AND MARKET DEVELOPMENT

General information

Description of the measure	Systematic work is undertaken to acquire new knowledge, or use existing knowledge gained from research or practical experience, to facilitate the development of new and more efficient agricultural value chains, including the intensification of regional production systems. Advice, technical services, strategic planning, extension services and supply chain networking opportunities are provided to organisations and individuals across the agriculture, fisheries and forestry sectors.				
Department administering the measure	Department of Agriculture and Fisheries (DAF)				
Initial financial year the measure was implemented	-				
Form of assistance	Underpricing of services				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	10,880	11,000	11,000	11,000	11,000
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	54,880				

Notes: The level of assistance provided is estimated using a cost-based method. The cost based method estimates the direct costs incurred by the government to provide the industry and market development services. This is considered to be a conservative estimate of a key component of DAF's core business. Only staff who work in industry-specific policy and development and regional facing staff have been included (i.e. no administration, no regulatory or compliance staff, no broader strategic policy staff). The work DAF does in Industry and Market Development varies by commodity and by region. There is significant fluctuation in the type and volume of work DAF does in this regard, making clear identification of government investment in this measure more complex.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
99	0	0	0	0	0	1	0

Policy objective

Description of the policy objective	To facilitate efficient, innovative, resilient and profitable agriculture, fisheries and forestry industries that thrive in the long term.

Departmental monitoring and assessment

Is the measure monitored?	No. DAF monitors agricultural production and case studies to showcase its work and advice. However, the direct impacts on agricultural production and desired outcomes cannot be attributed to DAF's work in industry or market development.
Are the economic impacts of the measure evaluated?	No.

PRICING OF NATIVE FOREST LOG TIMBER

General information

Description of the measure	In south east Queensland (SEQ) and the Western Hardwoods (WHR) region, hardwood sawlogs are sold under the terms of long-term contracts known as sales permits. Native forest log timber sold under the provisions of the Forestry Act 1959 may be below market value.				
Department administering the measure	Department of Agriculture and Fisheries (DAF)				
Initial financial year the measure was implemented	Early to mid-2000s				
Form of assistance	Underpricing of assets				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	1,534	1,048	559	570	605
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	4,316				

Notes: The level of assistance forward estimates are based on projected purchases of SEQ and WHR hardwood sawlogs.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	100	0	0	0	0	0

Policy objective

Description of the policy objective	There is no objective for selling native forest log timber below market price, as the intent is to sell these hardwood sawlogs at prevailing market prices and use processes with market inputs to adjust prices.

Departmental monitoring and assessment

Is the measure monitored?	No.
Are the economic impacts of the measure evaluated?	No.

QUEENSLAND FOREST AND TIMBER INDUSTRY PLAN — CHAIN OF CUSTODY CERTIFICATION SUPPORT

General information

Description of the measure	The Queensland Forest and Timber Industry Plan provides financial support for Queensland businesses supplying forest and timber products to obtain Chain of Custody certification (CoCC).				
Department administering the measure	Department of Agriculture and Fisheries (DAF)				
Initial financial year the measure was implemented	2012-13				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	36	44	-	-	-
Administration expenses ($'000)	-	3	-	-	-
Level of assistance (2013-18) ($'000)	80				

Notes: Grants are provided to eligible applicants who can receive up to $5,000 for reimbursement of eligible expenditure. The chain of custody certification support is scheduled to conclude in 2015-16. The program is partly administered by an external service provider through an agreement with DAF.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	90	0	0	0	10	0

Policy objective

Description of the policy objective	To assist Queensland businesses supplying forest and timber products to access markets that require certified wood products and, as a result, improve the demand for Queensland Government log timber.

Departmental monitoring and assessment

Is the measure monitored?	Yes. The Department records the funds disbursed and the number of businesses attaining Chain of Custody certification.
Are the economic impacts of the measure evaluated?	No.

PRIMARY INDUSTRY PRODUCTIVITY ENHANCEMENT SCHEME: FIRST START AND SUSTAINABILITY LOANS

General information

Description of the measure	The Primary Industry Productivity Enhancement Scheme First Start Loans provide loans at concessional rates of interest to assist new entrants to primary production to establish a viable enterprise in the first years of operation. Sustainability Loans provide loans at concessional rates of interest to assist existing primary producers to implement systems and management practices that enhance productivity, sustainability and long-term viability.				
Department administering the measure	Department of Agriculture and Fisheries (DAF)				
Initial financial year the measure was implemented	1988-89				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	12,780	6,160	6,160	6,160	6,160
Administration expenses ($'000)	7,920	6,770	7,080	7,190	7,240
Level of assistance (2013-18) ($'000)	37,420				

Notes: The level of assistance is estimated as the concession (that is, the interest rate discount) provided to primary producers. Concessional amounts are calculated in accordance with Australian Accounting Standards and align with figures reported in the Queensland Government 2014-15 Concessions Statement.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
100	0	0	0	0	0	0	0

Policy objective

Description of the policy objective	To encourage young/emerging farmers into agriculture and support succession planning, as well as to assist Queensland producers to increase productivity and long-term viability, manage and mitigate the effects of climate and market risks, and implement appropriate resource management and environmental practices.

Departmental monitoring and assessment

Is the measure monitored?	Yes. The Queensland Rural Adjustment Authority provides a monthly report of the loans which contains data on the amount of assistance provided, loan categories, loan's purpose, regions obtaining loans and the reason that a loan application is approved or declined. Surveys are undertaken to assess client awareness and stakeholder satisfaction.
Are the economic impacts of the measure evaluated?	Yes. Primary Industry Productivity Enhancement Scheme review report, February 2010.

REEF WATER QUALITY PROTECTION PLAN — PROGRAM SUPPORT

General information

Description of the measure	The Reef Water Quality Protection Plan is a program of coordinated projects and partnerships designed to improve the quality of water entering the Great Barrier Reef by improving land management practices in reef catchments. DAF delivers and provides technical and extension support for projects undertaken as part of the Reef Water Quality Protection Plan.				
Department administering the measure	Department of Agriculture and Fisheries (DAF)				
Initial financial year the measure was implemented	2009-10				
Form of assistance	Underpricing of services				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000):	3,925	1,520	1,520	1,520	1,520
Administration expenses ($'000):	-	-	-	-	-
Level of assistance (2013-18) ($'000)	10,005				

Notes: The level of assistance is estimated using a cost-based method. The cost-based method estimates the direct costs incurred by DAF to deliver and provide technical and extension support for projects undertaken as part of the Reef Water Quality Protection Plan.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
80	0	0	0	0	5	5	10

Policy objective

Description of the policy objective	The primary goal of the Reef Plan is to ensure that by 2020 the quality of water entering the reef from broadscale land use has no detrimental impact on the health and resilience of the Great Barrier Reef.

Departmental monitoring and assessment

Is the measure monitored?	Yes. Reef report cards are released annually to track changes in the quality of water and participation in reef related programs. These are not specific to DAF-funded measures.
Are the economic impacts of the measure evaluated?	Yes. The Queensland Audit Office completed a review of the Reef Water Quality Protection Plan.

GREAT BARRIER REEF BEST MANAGEMENT PRACTICE PROGRAM FOR GRAZING

General information

Description of the measure	The program provides funding to the Grazing BMP Partnership to develop and implement a best management practice for the grazing industry in the Fitzroy, Burdekin and Burnett Mary catchments. The program promotes grazing land management practices to improve the quality of water flowing into the Great Barrier Reef.				
Department administering the measure	Department of Environment and Heritage Protection (DEHP)				
Initial financial year the measure was implemented	2012-13				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	2,175	1,631	2,566	2,703	950
Administration expenses ($'000)	200	200	200	200	-
Level of assistance (2013-18) ($'000)	10,025				

Notes: Initial deeds of contribution ended in the 2014-15 financial year and new deeds have been established. The new deeds end in the 2016-17 financial year.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
100	0	0	0	0	0	0	0

Policy objective

Description of the policy objective	The assistance measure is designed to change the management practices of landholders to reduce water pollutants while enhancing or maintaining agricultural production and profitability. A high level of industry adoption of the grazing BMPs is expected to reduce sediment loads entering the waterways from grazing lands in the Great Barrier Reef catchments and assist in improving water quality in the Great Barrier Reef.

Departmental monitoring and assessment

Is the measure monitored?	Yes. DEHP monitors program participation and the uptake of best management practices by landholders. This information is provided to Reef Plan partners (DNRM, DAF, DSITI) and combined with other sources of data on the adoption of improved land management practices across the Great Barrier Reef catchment. Reef Plan uses this data to model annual average pollutant loads entering the Great Barrier Reef and produce the annual Reef Report Card.
Are the economic impacts of the measure evaluated?	No.

GREAT BARRIER REEF BEST MANAGEMENT PRACTICE PROGRAM FOR SUGARCANE INDUSTRY

General information

Description of the measure	A partnership between the Queensland Government and CaneGrowers is working towards delivering best management practices for the sugarcane industry in the Great Barrier Reef catchments. The program promotes sugarcane land management practices to improve the quality of water flowing into the Great Barrier Reef.				
Department administering the measure	Department of Environment and Heritage Protection (DEHP)				
Initial financial year the measure was implemented	2012-13				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	3,530	2,105	2,900	2,900	950
Administration expenses ($'000)	200	200	200	200	-
Level of assistance (2013-18) ($'000)	12,385				

Notes: Initial deeds of contribution ended in the 2014-15 financial year and new deeds have been established. The new deeds end in the 2016-17 financial year.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
100	0	0	0	0	0	0	0

Policy objective

Description of the policy objective	To reduce sediment, nutrient and pesticide pollution loads in the waters of the Great Barrier Reef by encouraging sugarcane farmers to improve management practices.

Departmental monitoring and assessment

Is the measure monitored?	Yes. DEHP monitors program participation and the uptake of best management practices by landholders. This information is provided to Reef Plan partners (DNRM, DAF, DSITI) and combined with other sources of data on the adoption of improved land management practices across the Great Barrier Reef catchment. Reef Plan uses this data to model the annual average pollutant loads entering the Great Barrier Reef and produce the annual Reef Report Card.
Are the economic impacts of the measure evaluated?	No.

REEF TRUST GRAZING PROJECT — 'SAVING OUR SOILS'

General information

Description of the measure	The project engages graziers to establish demonstration properties and sites to help prove, quantify and promote the socio-economic benefits of adopting best practices, while at the same time reducing sediment runoff. The Reef Trust grazing project is delivered on behalf of the Australian Government through a Funding Deed.				
Department administering the measure	Department of Environment and Heritage Protection (DEHP)				
Initial financial year the measure was implemented	2014-15				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	-	-	-	-	-
Administration expenses ($'000)	-	50	50	50	50
Level of assistance (2013-18) ($'000)	0				

Notes: The Grazing Project– 'Saving our Soils' is a proposed project under Reef Trust to which $3 million over four years has been nominally allocated. This funding is provided by the Australian Government. DEHP has the role of administering the funds for Phase 1.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
100	0	0	0	0	0	0	0

Policy objective

Description of the policy objective	To improve land conditions and reduce sediment loads in the Great Barrier Reef, as a result of graziers implementing improved land management practices.

Departmental monitoring and assessment

Is the measure monitored?	No. Project is yet to commence.
Are the economic impacts of the measure evaluated?	No.

RURAL LEASEHOLD LAND RENTALS

General information

Description of the measure	Rural leasehold land used for grazing or primary production purposes (which includes aquaculture, viticulture and agriculture) currently attracts a prescribed rental rate of 1.5% (for perpetual leases) and 0.75% (for term lease) of the most recent unimproved value of the land. Under the Land Regulation 2009 a rental cap limits increases in rental rates for rural leasehold land at 10% per annum.				
Department administering the measure	Department of Natural Resources and Mines (DNRM)				
Initial financial year the measure was implemented	2007-08				
Form of assistance	Underpricing of assets				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	36,084	3,024	5,717	8,444	14,957
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	68,226				

Notes: The level of assistance is estimated based on the rental revenue not received from landholders as a result of the annual 10% rental cap.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
100	0	0	0	0	0	0	0

Policy objective

Description of the policy objective	To provide rental relief to struggling farmers. The rental cap (a 20% cap) was introduced in 2007 in response to difficult market conditions arising from significant increases in rural land values, severe drought conditions over an extended period and downturns in the economy. In 2014, the rental cap (a 10% cap) was maintained to continue providing rental relief to farmers impacted from the effects of extreme weather patterns and difficult market conditions.

Departmental monitoring and assessment

Is the measure monitored?	No. However, the rental cap is periodically reviewed as part of processes to review Land Act 1994 rental rates and fees.
Are the economic impacts of the measure evaluated?	No.

BUYBACK OF FISHING AUTHORITIES

General information

Description of the measure	The buyback of fishing authorities, as and when required by policy decisions, removes superfluous fishing entitlements so that the remaining fishers can obtain a larger share of the common resource.				
Department administering the measure	Department of Agriculture and Fisheries (DAF)				
Initial financial year the measure was implemented	2012-13 (for this particular scheme, other buybacks have also occurred)				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	1,415	5,164	-	-	-
Administration expenses ($'000)	50	50	-	-	-
Level of assistance (2013-18) ($'000)	6,579				

Notes: Funding for the current buyback of net fishing licences will end in 2014-15 and from 2015-16 this measure has been allocated no budget.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
100	0	0	0	0	0	0	0

Policy objective

Description of the policy objective	A reduction in fishing effort and a commensurate reduction in competition for fisheries resources particularly where there is deemed to be an oversupply of fishing effort. The specific objective of the current buyback scheme is to reduce the number of licenses in the commercial net fishery.

Departmental monitoring and assessment

Is the measure monitored?	Yes. The information monitored includes the amount of assistance expended and the number of licenses and fishing symbols purchased by fishing category and region.
Are the economic impacts of the measure evaluated?	Yes. When DAF is seeking funding to commence a buyback scheme, a cost–benefit analysis is submitted to Cabinet, with the request for funding.

COMPENSATION TO FISHERS

General information

Description of the measure	Fishers are paid for loss of fishing rights pursuant to a licence or quota under the Fisheries Act 1994, as and when required, to minimise financial loss to fishers in circumstances where their fishing rights have been impacted.				
Department administering the measure	Department of Agriculture and Fisheries (DAF)				
Initial financial year the measure was implemented	2006 (however, compensation is yet to be provided as the provisions have not been triggered)				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	-	-	-	-	-
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	0				

Notes: The provision has yet to be triggered and to date no compensation has been provided to fishers. No budget has been approved for this measure from 2015-16 to 2017-18.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
100	0	0	0	0	0	0	0

Policy objective

Description of the policy objective	To minimise financial loss to fishers in circumstances where government intervention impacts their fishing rights.

Departmental monitoring and assessment

Is the measure monitored?	No. A method of monitoring the compensation scheme will be proposed when a scheme is implemented.
Are the economic impacts of the measure evaluated?	No. However, economic evaluation may be included as part of the overall proposal in circumstances where compensation is triggered.

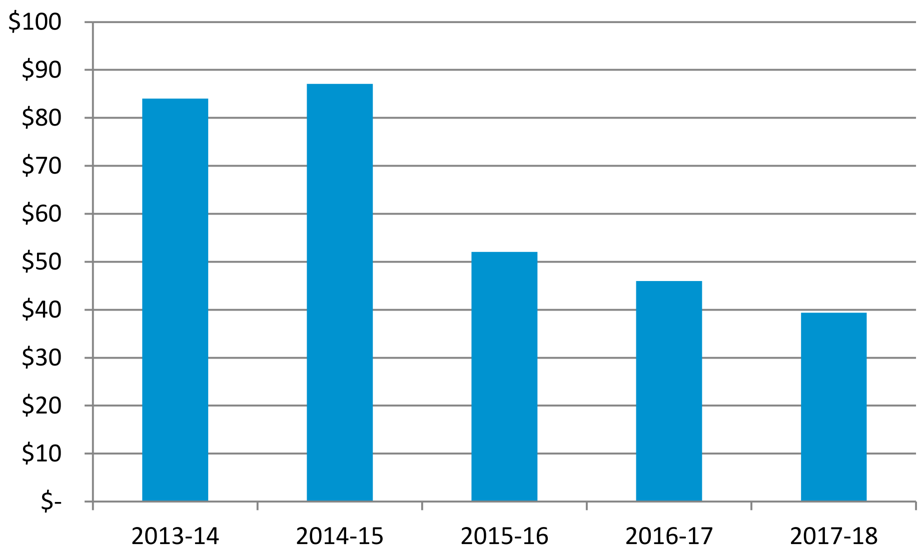
TOURISM AND MAJOR EVENTS ASSISTANCE MEASURES

Tourism assistance

There are eight tourism and major events assistance measures.

The total value of tourism and major events assistance catalogued (for 2013–14 to 2017–18) is $**312** million. In 2013–14, $84 million in tourism and major events assistance was provided to Queensland industry.

Figure C.7 Tourism and major events assistance provided in 2013–14 to 2017–18 ($m)



The main tourism and major events measures (by assistance provided) are:

(1) Major Events (excluding Commonwealth Games) — $119 million

(2) Tourism Industry Marketing — $108 million

(3) Core grant funding to Regional Tourism Organisations — $20 million.

Assistance by category

The level of tourism and major events assistance consists entirely of budgetary outlays.

Monitoring and evaluation of assistance

From the eight tourism and major events measures catalogued, seven measures (88 per cent) are monitored in some way by departments. Only one measure (13 per cent) has been formally evaluated by departments.

ATTRACTING AVIATION INVESTMENT FUND

General information

Description of the measure	The Attracting Aviation Investment Fund provides funding to airlines to promote airline access to Queensland. It is used to secure new aviation services into Queensland and to enhance existing partnerships with airlines.				
Department administering the measure	Department of Tourism, Major Events, Small Business and the Commonwealth Games (DTESB)				
Initial financial year the measure was implemented	2012-13				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	400	1,800	2,050	1,100	700
Administration expenses ($'000)	91	105	119	106	108
Level of assistance (2013-18) ($'000)	6,050				

Notes: Administration expenses are based on DTESB's estimated employee expenses associated with managing the program. Tourism and Events Queensland's administration costs are accounted for in the level of assistance estimate. Tourism and Events Queensland manages collaborative marketing contracts with recipients of incentives, preparing fund submissions and managing contracts.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	0	100	0	0

Policy objective

Description of the policy objective	To increase the total number of flights and capacity to Queensland from international markets, and contribute to greater visitation and overnight visitor expenditure.

Departmental monitoring and assessment

Is the measure monitored?	Yes. DTESB monitors the amount of applications evaluated within nine working days and specific targets relating to the outcomes of a specific marketing activity (e.g. increase seat sales).
Are the economic impacts of the measure evaluated?	No.

CONTESTABLE GRANTS FOR REGIONAL MARKETING AND DEVELOPMENT ACTIVITY

General information

Description of the measure	Tourism and Events Queensland administers a scheme in which regional tourism organisations, supported by local government and other entities, are invited to apply for one-off grants to fund specific tourism based projects.				
Department administering the measure	Department of Tourism, Major Events, Small Business and the Commonwealth Games (DTESB)				
Initial financial year the measure was implemented	2012-13				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	3,219	3,327	3,232	3,237	3,242
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	16,258				

Notes: The level of assistance is estimated based on the funds provided to Tourism and Events Queensland to deliver the program and the administration expenses incurred by Tourism and Events Queensland. With funding in future years yet to be finalised, forward estimates are based on existing secured funding and the assumption of employees remaining at existing levels. DTESB does not incur any administrative expenses from delivering this program.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	0	100	0	0

Policy objective

Description of the policy objective	To benefit the tourism industry by growing visitation and expenditure, which will contribute to the Queensland Government's goal for industry of $30 billion in annual overnight visitor expenditure by 2020.

Departmental monitoring and assessment

Is the measure monitored?	Yes. TEQ monitors the amount of partner funding contributions leveraged and support for marketing projects.
Are the economic impacts of the measure evaluated?	No.

MAJOR EVENTS (EXCLUDING COMMONWEALTH GAMES)

General information

Description of the measure	Tourism and Events Queensland identifies, attracts, develops and promotes major events that contribute to the state's tourism and event economy.				
Department administering the measure	Department of Tourism, Major Events, Small Business and the Commonwealth Games (DTESB)				
Initial financial year the measure was implemented	1989				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000):	30,037	33,262	22,366	20,469	13,083
Administration expenses ($'000):	-	-	-	-	-
Level of assistance (2013-18) ($'000)	119,217				

Notes: The level of assistance is estimated based on the funds provided to Tourism and Events Queensland to deliver the program and the administration expenses incurred by Tourism and Events Queensland. With funding in future years yet to be finalised, forward estimates are based on existing secured funding and the assumption of employees remaining at existing levels. Expenditure for the Gold Coast 2018 Commonwealth Games has been excluded from this measure. The total expenditure for the Commonwealth Games is estimated to be $1.689 billion, however some of the budgeted expenditure (such as expenditure on general infrastructure) is considered to be out-of-scope for this review. The Forward Procurement Schedule includes more than 270 work packages, with the majority of procurement items expected to commence from 2015 onwards. DTESB does not incur any administrative expenses from delivering this program.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	0	100	0	0

Policy objective

Description of the policy objective	To attract visitors to Queensland, extend their stay beyond the event and showcase Queensland's destinations to key domestic and international markets to increase the likelihood of future visits. These activities increase the output of the tourism industry as well as provide benefits more broadly.

Departmental monitoring and assessment

Is the measure monitored?	Yes. TEQ monitors the number of visitors to Queensland, visitor nights generated and overnight visitor expenditure generated by major events.
Are the economic impacts of the measure evaluated?	Yes. Tourism and Events Queensland has appointed a panel of providers to produce Economic and Tourism Value reports on Tourism and Events Queensland's Service Delivery Statement reporting for the Queensland Government.

REGIONAL DEVELOPMENT PROGRAM

General information

Description of the measure	Tourism and Events Queensland administers a program in which regional events may apply for funding to support the creation, development and promotion of regional events across Queensland.				
Department administering the measure	Department of Tourism, Major Events, Small Business and the Commonwealth Games (DTESB)				
Initial financial year the measure was implemented	2001-02				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	2,521	4,093	2,889	2,898	2,906
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	15,306				

Notes: The level of assistance is estimated based on the funds provided to Tourism and Events Queensland to deliver the program and the administration expenses incurred by Tourism and Events Queensland. With funding in future years yet to be finalised, forward estimates are based on existing secured funding and the assumption of employees remaining at existing levels. DTESB does not incur any administrative expenses from delivering this program.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	0	100	0	0

Policy objective

Description of the policy objective	To generate local economic activity and development, enhance the profile and appeal of the host destination, attract external visitation to the destination and support industry growth and sustainability.

Departmental monitoring and assessment

Is the measure monitored?	No.
Are the economic impacts of the measure evaluated?	No.

TOURISM INDUSTRY MARKETING

General information

Description of the measure	Tourism and Events Queensland collaborates with regional tourism organisations across Queensland's thirteen destinations to promote each destination into identified target markets (domestic and international).				
Department administering the measure	Department of Tourism, Major Events, Small Business and the Commonwealth Games (DTESB)				
Initial financial year the measure was implemented	1979				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	38,245	37,010	13,574	8,768	10,181
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	107,778				

Notes: The level of assistance is estimated based on the funds provided to Tourism and Events Queensland to deliver the program and the administration expenses incurred by Tourism and Events Queensland. With funding in future years yet to be finalised, forward estimates are based on existing secured funding and the assumption of employees remaining at existing levels. DTESB do not incur any administrative expenses from delivering this program.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	0	100	0	0

Policy objective

Description of the policy objective	To benefit the tourism industry by growing visitation and expenditure, which will contribute to the Queensland Government's goal for industry of $30 billion in annual overnight visitor expenditure by 2020.

Departmental monitoring and assessment

Is the measure monitored?	Yes. TEQ monitors publicity and promotional value, as well as all direct partner support for marketing projects. A stakeholder satisfaction survey will also be implemented.
Are the economic impacts of the measure evaluated?	No.

CORE GRANT FUNDING TO REGIONAL TOURISM ORGANISATIONS

General information

Description of the measure	Tourism and Events Queensland provides core grant funding to each of the thirteen regional tourism organisations.				
Department administering the measure	Department of Tourism, Major Events, Small Business and the Commonwealth Games (DTESB)				
Initial financial year the measure was implemented	2012-13				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	4,020	4,041	4,042	4,043	4,044
Administration expenses ($'000)	24	24	24	24	24
Level of assistance (2013-18) ($'000)	20,189				

Notes: The level of assistance is estimated based on the funds provided to Tourism and Events Queensland to deliver the program and the administration expenses incurred by Tourism and Events Queensland. With funding in future years yet to be finalised, forward estimates are based on existing secured funding and the assumption of employees remaining at existing levels.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	0	100	0	0

Policy objective

Description of the policy objective	To generate greater and more sustainable outcomes for the tourism industry and the local communities through focused destination marketing and development. The measure supports the Government's 2020 goal of $30 billion in annual overnight visitor expenditure in Queensland.

Departmental monitoring and assessment

Is the measure monitored?	Yes. TEQ monitors the amount of partner funding contributions leveraged. To remain eligible regional tourism organisations must secure dollar for dollar financial support for tourism activity from their local council.
Are the economic impacts of the measure evaluated?	No.

BUSINESS EVENTS

General information

Description of the measure	Tourism and Events Queensland operates the International Bid Fund and supports Queensland's convention bureaux and industry in attracting business events (meetings, conferences and incentive travel). Six Queensland convention bureaux secured funding through Tourism and Events Queensland in 2013-14, with each bureau required to match the funding provided dollar for dollar.				
Department administering the measure	Department of Tourism, Major Events, Small Business and the Commonwealth Games (DTESB)				
Initial financial year the measure was implemented	1998-99				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	2,957	3,568	3,659	3,663	3,666
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	17,514				

Notes: The level of assistance is estimated based on the funds provided to Tourism and Events Queensland to deliver the program and the administration expenses incurred by Tourism and Events Queensland. With funding in future years yet to be finalised, forward estimates are based on existing secured funding and the assumption of employees remaining at existing levels. DTESB does not incur any administrative expenses from delivering this program.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	0	100	0	0

Policy objective

Description of the policy objective	To make Queensland more competitive in attracting and securing business events (national and international) in Queensland.

Departmental monitoring and assessment

Is the measure monitored?	Yes. TEQ monitors the number of business events secured, as well as the delegates attending these events, delegate expenditure and the projected economic impact.
Are the economic impacts of the measure evaluated?	No.

DESTINATION AND EXPERIENCE DEVELOPMENT

General information

Description of the measure	Tourism and Events Queensland works in partnership with regional tourism organisations and industry to develop destination tourism plans and implement activities to support the growth of key tourism market segments and provide a clear identity for its regions to attract new and/or niche tourism markets.				
Department administering the measure	Department of Tourism, Major Events, Small Business and the Commonwealth Games (DTESB)				
Initial financial year the measure was implemented	2009-10				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	2,593	1,775	1,789	1,804	1,818
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	9,779				

Notes: The level of assistance is estimated based on the funds provided to Tourism and Events Queensland to deliver the program and the administration expenses incurred by Tourism and Events Queensland. Tourism and Events Queensland is not delivering industry development programs in 2014-15. The current delivery focus for activity is experience development. With funding in future years yet to be finalised, forward estimates are based on existing secured funding and the assumption of employees remaining at existing levels. DTESB does not incur any administrative expenses from delivering this program.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	0	100	0	0

Policy objective

Description of the policy objective	To drive demand for tourism at a regional level, meet consumer expectations and contribute to the government's 2020 goal of $30 billion in annual overnight visitor expenditure in Queensland.

Departmental monitoring and assessment

Is the measure monitored?	Yes. TEQ monitors the satisfaction of attendees and discrete performance indicators that are reported through the post implementation review process.
Are the economic impacts of the measure evaluated?	No.

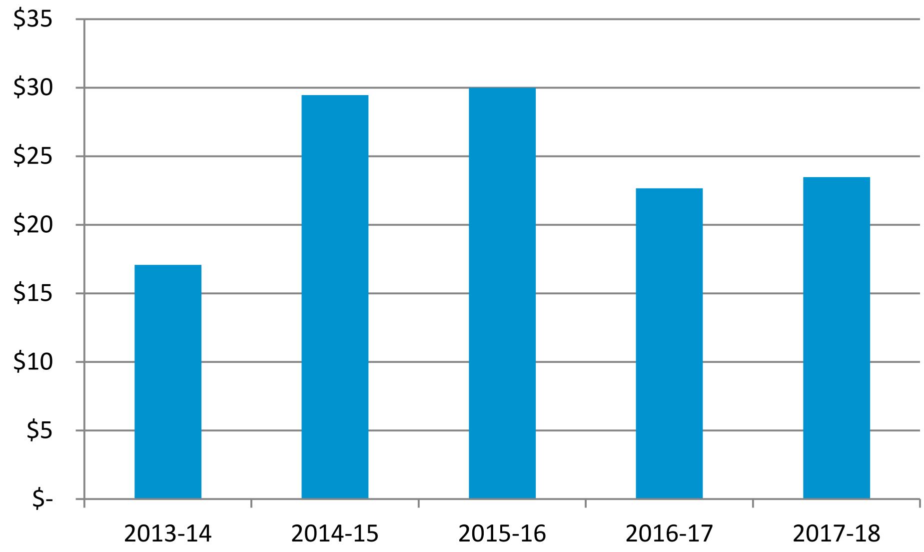
MINING ASSISTANCE MEASURES

Mining assistance

There are three mining assistance measures.

The total value of mining assistance catalogued (for 2013–14 to 2017–18) is $**123** million. In 2013–14, $17 million in mining assistance was provided to Queensland industry.

Figure C.8 Mining assistance provided in 2013–14 to 2017–18 ($m)



The main mining measures (by assistance provided) are:

(1) Area discounts for Mineral Development Licences — $98 million

(2) Future Resources Program (excluding Collaborative Drilling Initiative) — $22 million.

Assistance by category

The level of mining assistance consists of $25 million (20 per cent) in budgetary outlays and $98 million (80 per cent) in underpricing of assets.

Monitoring and evaluation of assistance

From the three mining measures catalogued, two measures (67 per cent) are monitored in some way by the Department of Natural Resources and Mines. Only one measure (33 per cent) has been formally evaluated by the Department.

AREA DISCOUNTS FOR MINERAL DEVELOPMENT LICENCES

General information

Description of the measure	The rental regime for mineral development licences includes a system of "area discounts" whereby larger tenures pay considerably less than the prescribed rental rate per hectare.				
Department administering the measure	Department of Natural Resources and Mines (DNRM)				
Initial financial year the measure was implemented	1994				
Form of assistance	Underpricing of assets				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	14,516	17,012	19,989	22,668	23,473
Administration expenses ($'000)	6	6	6	6	6
Level of assistance (2013-18) ($'000)	97,658				

Notes: The level of assistance provided by area discounts is calculated from the estimated difference between the nominal revenue and the actual revenue that DNRM will receive from the Mineral Development Licences. Administration costs are based on DNRM's estimated employee costs associated with administering these discounts.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	100	0	0	0	0	0	0

Policy objective

Description of the policy objective	To encourage the evaluation and economic development of a potentially viable resource, while providing the necessary security of tenure. The rationale for the area discounts was to address the issue that sedimentary type deposits (e.g. coal and oil shale) of the same potential economic worth can vary in areal extent according to seam thickness and distribution. The area discounts regime addresses the impost of rent to companies with larger sized deposits in terms of area.

Departmental monitoring and assessment

Is the measure monitored?	No.
Are the economic impacts of the measure evaluated?	No. However, the issue will be considered in the current tenure reforms as a part of overall rental measures.

FUTURE RESOURCES PROGRAM (EXCLUDING COLLABORATIVE DRILLING INITIATIVE)

General information

Description of the measure	The Future Resource Program funds seven initiatives to support Queensland's resources and exploration industries (including the Collaborative Drilling Initiative, which is assessed separately). Assistance refers to the funding provided for the following initiatives of the Future Resources Program: Industry Priorities Initiative; Mount Isa Geophysics Initiative; Geochemical Data Extraction Initiative; Cape York Mineral Resource Assessment Initiative; and Seismic Section Scanning Initiative.				
Department administering the measure	Department of Natural Resources and Mines (DNRM)				
Initial financial year the measure was implemented	2013-14				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	2,566	10,934	8,500	-	-
Administration expenses ($'000)	50	70	100	-	-
Level of assistance (2013-18) ($'000)	22,000				

Notes: 1. Assistance is providing operational funding for the Geological Survey of Queensland to deliver these initiatives and is intrinsically interlinked with the complete range of normal operational activities undertaken by the Geological Survey of Queensland. 2. The Future Resources Program includes the Core Library Extension ($5 million over three years) which is not considered industry assistance.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, Gas, Water and Waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	100	0	0	0	0	0	0

Policy objective

Description of the policy objective	To maximise the success of exploration ventures by supporting Queensland's resource and exploration industries.

Departmental monitoring and assessment

Is the measure monitored?	Yes. DNRM obtains and monitors feedback from industry to deliver initiatives that are most beneficial for industry. However, the impacts of the initiatives on exploration projects undertaken by industry is not directly monitored as there are a number of exogenous factors that will determine investment in exploration activities.
Are the economic impacts of the measure evaluated?	No.

COLLABORATIVE DRILLING INITIATIVE

General information

Description of the measure	The Collaborative Drilling Initiative provides grants of up to $150,000 to mining companies to co-fund the drilling costs of innovative exploration programs. The initiative forms part of the Future Resources Program.				
Department administering the measure	Department of Natural Resources and Mines (DNRM)				
Initial financial year the measure was implemented	2006-07				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	-	1,500	1,500	-	-
Administration expenses ($'000)	-	36	36	-	-
Level of assistance (2013-18) ($'000)	3,000				

Notes: Collaborative Drilling Initiative has been funded through a number of limited-life programs. Rounds 8 and 9 of the Initiative will be funded over two years until June 2016.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	100	0	0	0	0	0	0

Policy objective

Description of the policy objective	To stimulate exploration investment in under-explored parts of Queensland and introduce new technology and exploration concepts to Queensland, potentially resulting in new resource discoveries.

Departmental monitoring and assessment

Is the measure monitored?	Yes. DNRM monitors program participation and delivery to measure the level of industry commitment. DNRM also measures the effectiveness of the initiative in supporting innovative exploration by monitoring the number of projects that have discovered new geological entities and mineralisation.
Are the economic impacts of the measure evaluated?	Yes. The program continues to monitor return on investment statistics as part of its reporting requirements.

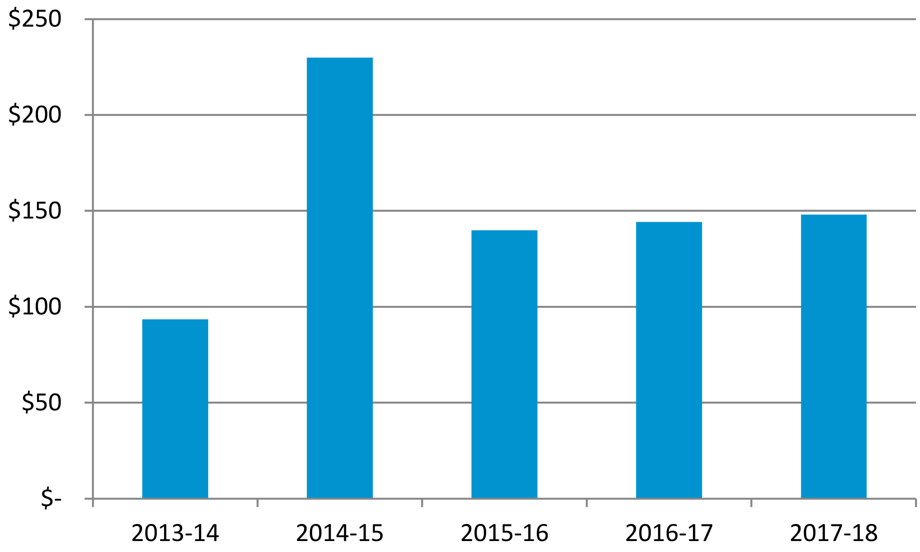
CONSTRUCTION ASSISTANCE MEASURES

Construction assistance

There are five construction assistance measures.

The total value of construction assistance catalogued (for 2013–14 to 2017–18) is $**754** million. In 2013–14, $93 million in construction assistance was provided to Queensland industry.

Figure C.9 Construction assistance provided in 2013–14 to 2017–18 ($m)



The main construction measures (by assistance provided) are:

(1) Great Start Grant — $506 million

(2) National Rental Affordability Scheme — $148 million

(3) Priority Development Infrastructure Co-investment program — $100 million.

Assistance by category

The level of construction assistance consists entirely of budgetary outlays.

Monitoring and evaluation of assistance

From the five construction measures catalogued, four measures (80 per cent) are monitored in some way by departments. No measures have been formally evaluated by departments.

PRIORITY DEVELOPMENT INFRASTRUCTURE CO-INVESTMENT PROGRAM

General information

Description of the measure	The Government works with the development industry and local government to identify catalyst infrastructure projects which will unlock land and lead to development as a result of co-investment by the state as well as state agencies, local authorities and/or industry. The co-investment by the state is paid back to the state by the proponent over an agreed period of time. It is anticipated that the first projects will be identified in the second half of 2014.				
Department administering the measure	Department of State Development (DSD)				
Initial financial year the measure was implemented	2014				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	-	100,000	-	-	-
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	100,000				

Notes: This measure is not a grant but rather a new funding avenue for infrastructure. Funding for 2015-16 will be considered by Treasury as part of the Queensland Government's Strongest and Smartest Choices program. Administration expenses for this measure will be determined following further development of the program and evaluation of initial projects.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	100	0	0	0

Policy objective

Description of the policy objective	To stimulate the construction industry and improve confidence and related private sector investment in a number of local government areas in the short-term. In the medium to long-term, the objective is to unlock the development potential of identified growth areas, deliver affordable housing and facilitate new job-generating developments.

Departmental monitoring and assessment

Is the measure monitored?	Yes. DSD monitors the funding and delivery of priority infrastructure and whether the delivery of infrastructure is cost-effective. Monitoring is primarily through ongoing consultations with relevant local governments and developers.
Are the economic impacts of the measure evaluated?	No.

GREAT START GRANT

General information

Description of the measure	First home owners are eligible to receive a $15,000 grant when they buy or build a new home valued at up to $750,000.				
Department administering the measure	Queensland Treasury (QT)				
Initial financial year the measure was implemented	2012-13 (replacing the First Home Owner Grant scheme, which was implemented in 2000)				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	77,000	104,000	106,800	108,200	110,400
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	506,400				

Notes:

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	100	0	0	0

Policy objective

Description of the policy objective	To reduce the cost barrier to home ownership and support an increase in the housing supply, while reducing any distortion that arises from a grant being available for established homes.

Departmental monitoring and assessment

Is the measure monitored?	Yes. QT monitors the number and location of grant payments.
Are the economic impacts of the measure evaluated?	No.

SPRINGFIELD LOAN AGREEMENT

General information

Description of the measure	Under the agreement, Springfield Land Corporation agrees to contribute to the cost of the development of social infrastructure services by the State at Springfield Estate. Springfield Land Corporation is obliged to pay the State a contribution for accelerating social infrastructure. The total contribution outstanding is payable upon the creation of 10,000 residential allotments. The amount outstanding is treated as a loan indexed at CPI, rather than charging a higher market interest rate.				
Department administering the measure	Queensland Treasury (QT)				
Initial financial year the measure was implemented	1994				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	33	70	70	70	70
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	313				

Notes: The level of assistance is estimated using the difference between Consumer Price Index and Reserve Bank of Australia data on 'BBB' Corporate rated 10 year bonds. Forward estimates are based on average of implicit assistance for 2012-13 and 2013-14.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	100	0	0	0

Policy objective

Description of the policy objective	The objectives of the agreement were not specified by QT. The agreement was made prior to the introduction of Infrastructure Charges.

Departmental monitoring and assessment

Is the measure monitored?	No.
Are the economic impacts of the measure evaluated?	No.

NATIONAL RENTAL AFFORDABILITY SCHEME

General information

Description of the measure	The National Rental Affordability Scheme was established in 2008 to increase the supply of new affordable rental dwellings across Australian by up to 50,000 dwellings for low to moderate income households. The scheme provides financial incentives to investors to build well located dwellings and rent them to eligible low to moderate income households, at a discounted rate below market rent for that location. The National Rental Affordability Scheme is an Australian Government program financially supported by the Queensland Government.				
Department administering the measure	Department of Housing and Public Works (DHPW)				
Initial financial year the measure was implemented	2008-09				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	16,452	24,647	33,569	35,790	37,150
Administration expenses ($'000)	45	45	47	47	49
Level of assistance (2013-18) ($'000)	147,608				

Notes: Administration expenses are based on DHPW's estimated employee expenses associated with managing the program.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	60	0	40	0

Policy objective

Description of the policy objective	The scheme has a number of objectives, including: to stimulate a short-term increase in construction and investment in Queensland's property market; to contribute to a medium to longer-term increase in the organisational capacity of the private and not-for-profit sector to deliver affordable rental accommodation to low-to-moderate income households; to contribute to a long-term increase in the supply of dwellings designed to deliver affordable housing options throughout Queensland; and to promote a private market rental option for people who were previously on Queensland's Housing Register or residing in social housing.

Departmental monitoring and assessment

Is the measure monitored?	Yes. The Commonwealth undertakes quarterly performance reports and these reports benchmark the States and Territories performance. DHPW monitors the number of households assisted, the percentage of housed tenants who were previously on the Queensland Housing Register and the number of dwellings delivered.
Are the economic impacts of the measure evaluated?	No.

BUILDING AND CONSTRUCTION TRAINING POLICY

General information

Description of the measure	The Training Policy has a core requirement that a minimum of 10 per cent of the total labour hours on eligible projects be undertaken by apprentices and/or trainees and through other workforce training. All Queensland Government departments and statutory bodies, as defined in the Financial Accountability Act 2009 are required to comply with the Training Policy. Eligible projects are Queensland Government building projects with a contract sum of $500,000 or greater (including GST), and civil construction projects with a contract sum of $3 million or greater (including GST).				
Department administering the measure	Department of Education and Training (DET)				
Initial financial year the measure was implemented	2014-15				
Form of assistance	Other				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	-	-	-	-	-
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	Unable to quantify				

Notes: The level of assistance provided through this program is difficult to value. Any additional costs associated with the 10 per cent trainee requirement will be borne by the project proponent or State Government, effectively 'subsidising' the training requirements to the broader construction industry. The assistance is not subject to measurement by the Government.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	100	0	0	0

Policy objective

Description of the policy objective	To create additional employment and training opportunities for apprentices and trainees in the building and construction industry, to improve the skills base of the building and construction industry and to provide employment, training and business supply opportunities for Aboriginal and Torres Strait Islander Queenslanders.

Departmental monitoring and assessment

Is the measure monitored?	Yes. Monitoring is focussed on contractor compliance, with contractors required to report their compliance with the policy (labour hours).
Are the economic impacts of the measure evaluated?	No. However, the Training Policy will be reviewed in 2017.

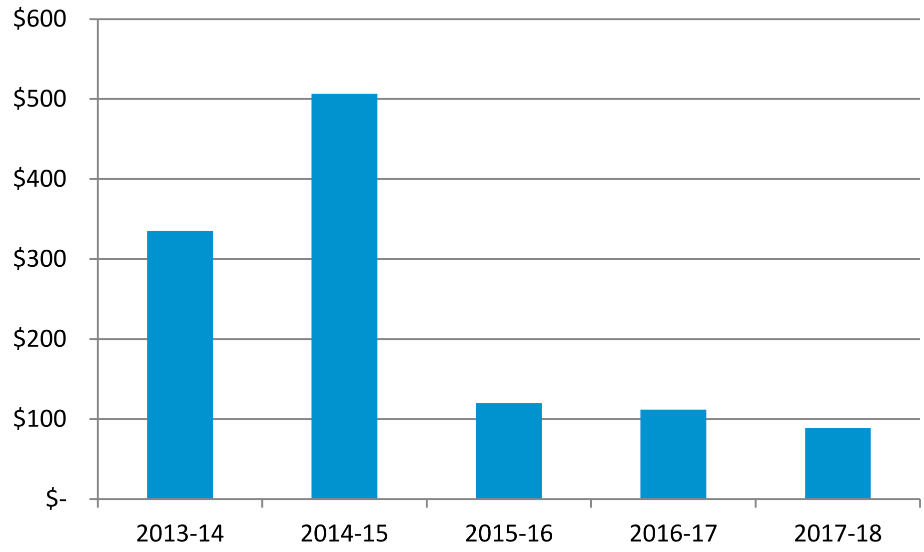
SERVICES ASSISTANCE MEASURES

Services assistance

There are 17 services assistance measures.

The total value of services assistance catalogued (for 2013–14 to 2017–18) is $**1,166** million. In 2013–14, $335 million in services assistance was provided to Queensland industry.

Figure C.10 Services assistance provided in 2013–14 to 2017–18 ($m)



The main services measures (by assistance provided) are:

(1) VET User Choice - Apprentice and Trainee Training Subsidy — $410 million

(2) VET Certificate 3 Guarantee Tuition Fee Subsidy — $197 million

(3) Stadiums Queensland — $162 million

(4) Racing Industry Capital Development Scheme — $106 million.

Assistance by category

The level of services assistance consists of $1,144 million (98 per cent) in budgetary outlays and $22 million (two per cent) in underpricing of services and assets.

Monitoring and evaluation of assistance

From the 17 services measures catalogued, 11 measures (65 per cent) are monitored in some way by departments. Only two measures have been formally evaluated by departments.

CONTINUING PROFESSIONAL DEVELOPMENT TRAINING SESSIONS

General information

Description of the measure	Legal Aid Queensland provides in-house Continuing Professional Development Training Sessions to preferred suppliers to Legal Aid Queensland and members of Community Legal Centres at no cost.				
Department administering the measure	Department of Justice and Attorney-General (DJAG)				
Initial financial year the measure was implemented	-				
Form of assistance	Underpricing of services				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	45	45	45	45	45
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	224				

Notes: The level of assistance provided is estimated using a cost-based method. The cost-based method estimates the direct costs incurred by Government to provide the in-house Continuing Professional Development Training Sessions.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	0	0	100	0

Policy objective

Description of the policy objective	To enable preferred suppliers of Legal Aid Queensland and Community Legal Centre representatives to attend Continuing Professional Development Training Sessions offered by Legal Aid Queensland as an act of goodwill.

Departmental monitoring and assessment

Is the measure monitored?	No.
Are the economic impacts of the measure evaluated?	No.

EMERGING BARRISTER PROGRAM

General information

Description of the measure	Legal Aid Queensland and the Bar Association of Queensland collaborate to implement a development program for emerging barristers. The program provides opportunities to develop criminal law advocacy experience.				
Department administering the measure	Department of Justice and Attorney-General (DJAG)				
Initial financial year the measure was implemented	2013-14				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	37	-	-	-	-
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	37				

Notes: Legal Aid Queensland provides funding for the Emerging Barrister Program. This is a one-year pilot program with funding beyond 2013-14 yet to be confirmed. DJAG did not incur any administrative costs from the implementation of the pilot program.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	0	0	100	0

Policy objective

Description of the policy objective	To ensure the continued strength and diversity of the local criminal bar and its capacity to provide quality criminal law advocacy for Legal Aid Queensland.

Departmental monitoring and assessment

Is the measure monitored?	No.
Are the economic impacts of the measure evaluated?	No.

LEGAL AID QUEENSLAND ONLINE DATABASE ACCESS

General information

Description of the measure	Preferred suppliers of Legal Aid Queensland are provided with access to Legal Aid Queensland's online database library at no cost.				
Department administering the measure	Department of Justice and Attorney-General (DJAG)				
Initial financial year the measure was implemented	2004				
Form of assistance	Underpricing of assets				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	70	70	70	70	70
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	350				

Notes: The level of assistance provided is estimated using a cost-based method. The cost-based method estimates the direct costs incurred by the government to provide the online database. The online database is also used by Legal Aid Queensland. Usage figures show that only 31.6% of database searches are performed by industry.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	0	0	100	0

Policy objective

Description of the policy objective	To assist preferred suppliers in the delivery of legal aid services to clients.

Departmental monitoring and assessment

Is the measure monitored?	No.
Are the economic impacts of the measure evaluated?	No.

RACING INFRASTRUCTURE FUND AND RACING INDUSTRY CAPITAL DEVELOPMENT SCHEME

General information

Description of the measure	The Racing Infrastructure Fund (RIF) and Racing Industry Capital Development Scheme (RICDS) provides funding to improve infrastructure at racing venues throughout Queensland. An Industry Infrastructure Strategy developed by Racing Queensland identifies key projects for infrastructure upgrades to assist with the growth of a competitive racing industry.				
Department administering the measure	Department of National Parks, Sport and Racing (DNPSR)				
Initial financial year the measure was implemented	2010-11				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	7,961	12,579	39,207	34,382	12,175
Administration expenses ($'000)	119	121	121	121	121
Level of assistance (2013-18) ($'000)	106,304				

Notes: Grant money is issued once a suitable business case has been submitted by Racing Queensland and approved by Queensland Treasury. $110 million had been committed to the RICDS until June 2015. The RIF has been established as a result of an exclusive licence fee to be paid by TattsBet Limited over nine years. As part of this agreement, four equal instalments of $24,350,250 (in 2014-15; 2016-17; 2020-21; and 2023-24) will be paid to fund the RIF. Current approved projects under the RICDS will continue to be funded under the RICDS until the projects are completed ($28,428,124 in total). The residual balance of the RICDS ($21,294,533) has been rolled over into the RIF in 2014-15. Deferrals have been identified for both schemes; to date the estimated amount is $61.4 million ($17 million for RICDS and $44.4 million for RIF being split evenly across 2015-16 and 2016-17).

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, Gas, Water and Waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	0	0	100	0

Policy objective

Description of the policy objective	The provision of improved infrastructure will attract stronger competition, more punters and increased revenue, to ensure the long-term sustainability and competitiveness of the racing industry.

Departmental monitoring and assessment

Is the measure monitored?	No.
Are the economic impacts of the measure evaluated?	No.

REJUVENATING COUNTRY RACING

General information

Description of the measure	Provides funding to support three new thoroughbred country race programs developed by Racing Queensland. The racing programs were developed to provide additional country race meetings in Queensland and include the Showcase Country Series, Celebrate Country Series and Sustain Country Series.				
Department administering the measure	Department of National Parks, Sport and Racing (DNPSR)				
Initial financial year the measure was implemented	2012-13				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	1,000	1,000	1,000	-	-
Administration expenses ($'000)	1	1	1	-	-
Level of assistance (2013-18) ($'000)	3,000				

Notes: This measure involves the provision of $4 million over four years from 2012-13, with one-off grants of $1 million issued each financial year.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	0	0	100	0

Policy objective

Description of the policy objective	The additional funding is intended to facilitate 20 additional race meetings in rural Queensland annually. These initiatives are intended to increase attendance at country race meetings and generate increased revenue for clubs. Together, these outcomes will help to reinvigorate country racing and to ensure the long-term sustainability of the racing industry.

Departmental monitoring and assessment

Is the measure monitored?	No.
Are the economic impacts of the measure evaluated?	No.

TRAINING TRACK SUBSIDY SCHEME

General information

Description of the measure	The Training Track Subsidy Scheme offsets the costs to Queensland thoroughbred race clubs of maintaining training facilities at their venues.				
Department administering the measure	Department of National Parks, Sport and Racing (DNPSR)				
Initial financial year the measure was implemented	1998				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	1,985	2,000	2,000	2,000	2,000
Administration expenses ($'000)	17	2	2	2	2
Level of assistance (2013-18) ($'000)	9,985				

Notes: A $2 million grant is issued as a one-off during the financial year.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	0	0	100	0

Policy objective

Description of the policy objective	The program improves the quality and performance of participants and the viability of individual clubs. This, in turn, helps to ensure the long-term sustainability of the racing industry.

Departmental monitoring and assessment

Is the measure monitored?	No.
Are the economic impacts of the measure evaluated?	No.

SCREEN QUEENSLAND

General information

Description of the measure	The Queensland Government provides grants to Screen Queensland, which develops and supports the local screen industry and attracts production to Queensland. Screen Queensland administers the Film and Television Rebate.				
Department administering the measure	Department of the Premier and Cabinet (DPC)				
Initial financial year the measure was implemented	1993-94				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	10,656	11,579	11,579	11,579	11,579
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	56,972				

Notes: The level of assistance includes funding provided to Screen Queensland and includes Payroll Tax Rebates that the Queensland Government provides directly to Queensland film & television producers. Screen Queensland receives on average $9.8 million per year. The assistance provided through the Payroll Tax Rebate will vary each financial year, depending on the amount of approved projects. The forward estimates for the Payroll Tax Rebate are an average of the previous five years.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	0	0	100	0

Policy objective

Description of the policy objective	Screen Queensland supports a creative, innovative and successful screen industry through development and investment; secures production to Queensland, and delivers an active screen culture across the state.

Departmental monitoring and assessment

Is the measure monitored?	Yes. Arts Queensland observes Screen Queensland's board decisions and reviews briefing papers and financial reports.
Are the economic impacts of the measure evaluated?	Yes. Screen Queensland undertakes economic impact studies for particular projects. These studies are made available to Arts Queensland.

STADIUMS QUEENSLAND

General information

Description of the measure	Provides grants to Stadiums Queensland, which manages, operates and promotes the use of major sporting and entertainment facilities on behalf of the Queensland Government.				
Department administering the measure	Department of National Parks, Sport and Racing (DNPSR)				
Initial financial year the measure was implemented	2001-02				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	32,128	32,224	32,402	32,402	32,402
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	161,558				

Notes: The level of assistance provided to Stadiums Queensland is sourced from the 2014-15 budget for the DNPSR. DNPSR does not incur any administration costs from the operation of Stadiums Queensland.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	0	0	100	0

Policy objective

Description of the policy objective	The major sports facilities are maintained and operated to enable major sporting and entertainment events to be attracted to Queensland, generating increased economic activity as a result.

Departmental monitoring and assessment

Is the measure monitored?	Yes. DNPSR monitors venue tenants, events and annual patronage. Stadiums Queensland publishes an annual financial statement as part of its annual report.
Are the economic impacts of the measure evaluated?	No. While there has been no assessment of the economic impacts of the funding to Stadiums Queensland, in 2009 research was commissioned to assess the level of economic activity generated by events at its venues.

USER CHOICE — APPRENTICE AND TRAINEE TRAINING SUBSIDY

General information

Description of the measure	The User Choice Program provides government funding to training providers to reduce the cost of accredited, entry level training for Queensland apprentices and trainees. The program enables apprentices, trainees and their employers to select a preferred provider from an approved list for the delivery of accredited training to meet their specific needs. Whilst the full cost of each training course varies, the annual average dollar value of the government fee subsidy per student is $2,726.				
Department administering the measure	Department of Education and Training (DET)				
Initial financial year the measure was implemented	2010				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	205,300	205,000	-	-	-
Administration expenses ($'000)	578	578	-	-	-
Level of assistance (2013-18) ($'000)	410,300				

Notes: Administration costs are based on the total administration costs for the VET User Choice, Cert 3 Guarantee and Higher Level Skills programs. Administration costs have been allocated to each program based on the proportion of assistance provided by each program.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	0	0	100	0

Policy objective

Description of the policy objective	To increase the state's qualifications profile and to address industry's current and future skills and employment needs.

Departmental monitoring and assessment

Is the measure monitored?	Yes. DET monitors complaints made by clients and client satisfaction in relation to training services provided to apprentices and trainees. DET also monitors complaints made by clients and client satisfaction in relation to training services provided to apprentices and trainees.
Are the economic impacts of the measure evaluated?	No. Economic impacts are measured at a state level for all investment in vocational education and training.

VET — CERTIFICATE 3 GUARANTEE TUITION FEE SUBSIDY

General information

Description of the measure	The Certificate 3 Guarantee commenced in 2013-14 and replaces the Vocational Education Training — Tuition Fee Subsidy Program which was previously only available to TAFE Institutes. This subsidy arrangement was extended to approved private registered training organisations (prequalified suppliers) from 1 July 2013, and was largely provided to subsidise the tuition fees paid by students undertaking eligible vocation education and training courses (primarily at Certificate III). The annual average dollar value of the Government fee subsidy for each qualification ranges from $416 to $6,900, depending on the qualification studied.				
Department administering the measure	Department of Education and Training (DET)				
Initial financial year the measure was implemented	2013-14				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	42,000	155,000	-	-	-
Administration expenses ($'000)	118	437	-	-	-
Level of assistance (2013-18) ($'000)	197,000				

Notes: The program was trialled in 2013-14. The level of funding distributed during the limited trial is yet to be verified by DET. The program is demand driven, with future funding dependent on the performance of the program. Administration costs are based on the total administration costs for the VET User Choice, Cert 3 Guarantee and Higher Level Skills programs. Administration costs have been allocated to each program based on the proportion of assistance provided by each program.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	0	0	100	0

Policy objective

Description of the policy objective	To increase the state's qualifications profile and to address industry's current and future skills and employment needs.

Departmental monitoring and assessment

Is the measure monitored?	Yes. DET monitors complaints made by clients and client satisfaction in relation to training services provided to apprentices and trainees. DET also monitors complaints made by clients and client satisfaction in relation to training services provided to apprentices and trainees.
Are the economic impacts of the measure evaluated?	No. Economic impacts are measured at a state level for all investment in vocational education and training.

VET HIGHER LEVEL SKILLS TUITION FEE SUBSIDY

General information

Description of the measure	During 2013-14, funding was largely provided to subsidise the tuition fees paid by students undertaking eligible vocational education and training courses (Certificate IV and above) at TAFE Queensland. This subsidy arrangement was extended to approved private registered training organisations from 1 July 2014. Higher Level Skills is a new program for 2013-14 and replaces the Vocational Education Training — Tuition Fee Subsidy program which was previously only available to TAFE Institutes. Actual course fees paid by individual students are dependent on the program of study, the annual average dollar value of the government fee subsidy for each qualification ranges from $1,050 to $6,910.				
Department administering the measure	Department of Education and Training (DET)				
Initial financial year the measure was implemented	2014-15				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	-	55,000	-	-	-
Administration expenses ($'000)	-	155	-	-	-
Level of assistance (2013-18) ($'000)	55,000				

Notes: The program was introduced on 1 July 2014. The program is demand driven, with future funding dependent on the performance of the program. Administration costs are based on the total administration costs for the VET User Choice, Cert 3 Guarantee and Higher Level Skills programs. Administration costs have been allocated to each program based on the proportion of assistance provided by each program.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	0	0	100	0

Policy objective

Description of the policy objective	To increase the state's qualifications profile and to address industry's current and future skills and employment needs.

Departmental monitoring and assessment

Is the measure monitored?	Yes. DET monitors complaints made by clients and client satisfaction in relation to training services provided to apprentices and trainees. DET also monitors complaints made by clients and client satisfaction in relation to training services provided to apprentices and trainees.
Are the economic impacts of the measure evaluated?	No. Economic impacts are measured at a state level for all investment in vocational education and training.

COMMERCIAL SHIP REGISTRATION AND LICENSING

General information

Description of the measure	Commercial Ship Registration and Licensing includes vessel design and inspection standards, ship and operator competency standards, development and enforcement. It is funded from commercial ship registration, licensing revenue and a concession from the government. The concession represents a benefit to commercial ship owners and licensees.				
Department administering the measure	Department of Transport and Main Roads (DTMR)				
Initial financial year the measure was implemented	1994				
Form of assistance	Underpricing of services and budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	4,900	4,900	4,900	4,900	4,900
Administration expenses ($'000)	-	-	-	-	-
Level of assistance (2013-18) ($'000)	24,499				

Notes: The level of assistance includes both budgetary outlay and underpricing of services components. The budgetary outlay comprises annual payments to Australian Maritime Safety Authority ($0.7m) to fund services provided by the national maritime regulator. The underpricing component ($4.2m) represents the costs incurred by DTMR in regards to issuing registration and licensing certificates, monitoring ships in Queensland waters and ensuring compliance with marine safety requirements, minus revenue DTMR collects from registration and licensing fees.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
9	0	0	0	0	24	67	0

Policy objective

Description of the policy objective	To provide a safe and efficient commercial vessel fleet/maritime industry in Queensland.

Departmental monitoring and assessment

Is the measure monitored?	Yes. An annual marine incident report looks at the trends and causes of marine incidents involving commercial vessels. DTMR also monitors marine fatalities per 100,000 registered vessels.
Are the economic impacts of the measure evaluated?	No.

CONTRACTED AIR SERVICES

General information

Description of the measure	The Queensland Government awards service contracts to airlines and subsidises a number of regular passenger transport air services in rural and remote Queensland. DTMR endorses the routes and minimum service levels that apply to the air service contracts.				
Department administering the measure	Department of Transport and Main Roads (DTMR)				
Initial financial year the measure was implemented	2002				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	9,491	8,553	15,349	9,075	8,402
Administration expenses ($'000)	618	619	719	620	720
Level of assistance (2013-18) ($'000)	50,870				

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	15	0	0	0	15	70	0

Policy objective

Description of the policy objective	To provide affordable and accessible air services for rural and remote Queenslanders and to connect people and places within Queensland.

Departmental monitoring and assessment

Is the measure monitored?	Yes. DTMR monitors the patronage on the contracted regional air services and the average subsidy per passenger for these services.
Are the economic impacts of the measure evaluated?	No.

BUS SUBSIDIES

General information

Description of the measure	The government provides subsidies to bus and coach companies to financially support coach services throughout Queensland.				
Department administering the measure	Department of Transport and Main Roads (DTMR)				
Initial financial year the measure was implemented					
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	3,598	1,485	1,020	1,142	1,066
Administration expenses ($'000)	21	21	22	22	23
Level of assistance (2013-18) ($'000)	8,311				

Notes: The level of assistance is estimated based on estimates of the Long Distance Coach subsidies.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	0	0	100	0

Policy objective

Description of the policy objective	To provide affordable and accessible bus services so that more people use public transport.

Departmental monitoring and assessment

Is the measure monitored?	Yes. DTMR monitors the patronage on government-contracted bus services and the average subsidy per passenger.
Are the economic impacts of the measure evaluated?	No.

TAXI SUBSIDY SCHEME

General information

Description of the measure	The Taxi Subsidy Scheme subsidises taxi travel — half of the total fare, up to a maximum of $25 per trip — for people with severe disabilities.				
Department administering the measure	Department of Transport and Main Roads (DTMR)				
Initial financial year the measure was implemented	1987				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	14,000	14,463	14,608	14,754	14,901
Administration expenses ($'000)	795	814	834	854	875
Level of assistance (2013-18) ($'000)	72,726				

Notes: The National Disability Insurance Scheme (NDIS) is to be implemented on 1 July 2016. Queensland Treasury indicates that the Queensland Government will cash out the dollar component of NDIS eligible Taxi Subsidy Scheme members. The introduction of the NDIS may have an impact on DTMR's administration expenses, however the current trend has been adopted as a conservative forecast for future costs.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	0	0	100	0

Policy objective

Description of the policy objective	To provide eligible members with transport services in order to access general services such as work and medical appointments.

Departmental monitoring and assessment

Is the measure monitored?	Yes. DTMR monitors the number of passenger trips provided, as well as the average subsidy per trip provided through the Taxi Subsidy Scheme.
Are the economic impacts of the measure evaluated?	Yes. A comprehensive review of the fund was undertaken in 2012.

PASSENGER SAFETY SECURE RANKS (TAXI)

General information

Description of the measure	The Passenger Safety Secure Ranks Program provides subsidies to industry to increase the number of secure taxi ranks across the state to boost late-night safety and security for taxi drivers and patrons.				
Department administering the measure	Department of Transport and Main Roads (DTMR)				
Initial financial year the measure was implemented	2005				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	1,552	1,570	1,588	1,607	1,626
Administration expenses ($'000)	61	62	64	65	68
Level of assistance (2013-18) ($'000)	7,943				

Notes: Administration expenses are based on estimated employee costs and associated expenses incurred by DTMR.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	0	0	0	100	0

Policy objective

Description of the policy objective	To improve safety for taxi customers and drivers and improve reliability of taxi services in these locations.

Departmental monitoring and assessment

Is the measure monitored?	Yes. Data relating to patronage at the secure ranks is collected to assist in implementing the program and ensure an appropriate number of security guards are provided. These reports are then discussed at industry forums to provide feedback on the operation of the ranks.
Are the economic impacts of the measure evaluated?	No.

GRANTS PROGRAM SUPPORTING OBJECTIVES OF THE AUSTRALIAN PACKAGING COVENANT

General information

Description of the measure	The program contributes funding to councils and industry to deliver projects that assist in reducing litter and aid recycling of packaged products. DEHP represents the Queensland Government as part of the co-regulatory arrangement serving the Australian Packaging Covenant.				
Department administering the measure	Department of Environment and Heritage Protection (DEHP)				
Initial financial year the measure was implemented	1999				
Form of assistance	Budgetary outlay				
	2013-14 (est. actual)	***2014-15 (budget)***	***2015-16 (forward est.)***	***2016-17 (forward est.)***	***2017-18 (forward est.)***
Level of assistance ($'000)	263	606	-	-	-
Administration expenses ($'000)	14	14	-	-	-
Level of assistance (2013-18) ($'000)	869				

Notes: 2014-15 is budgeted expense for approved projects. This is a five year commitment which is due to expire in 2014-15. Funding beyond 2014-15 is uncertain. Administration costs are based on travel and employee expenses incurred by DEHP.

Industry sector shares in assistance (%)

Agriculture, forestry and fishing	***Mining***	***Manufacturing***	***Electricity, gas, water and waste services***	***Construction***	***Tourism***	***Services***	***Unallocated***
0	0	0	50	0	4	46	0

Policy objective

Description of the policy objective	Assistance aims to meet the goals of the National Environment Protection (Used Packaging Materials) Measure 2011. This may range from smarter (sustainable) design of packaging materials, cultural change in the general community or in specific businesses to increase material recovery and recycling rates and reduction of litter from used packaging materials.

Departmental monitoring and assessment

Is the measure monitored?	Yes. Tonnages of used packaging materials recovered by councils and industry are captured by DEHP annual waste surveys. DEHP also monitors individual project deliverables, which include analysis/measurement of expected outcomes. Measures are specific to each project.
Are the economic impacts of the measure evaluated?	No.

REGULATORY RESTRICTIONS ON COMPETITION

Table C.3 lists Queensland legislation that contains restrictions on competition. It describes:

- the objectives of the legislation and the main restrictions on competition
- the regulatory requirements count of the legislation (defined as obligations and restrictions imposed on non-government stakeholders, as represented by words such as 'must' and 'shall'). While a requirement count may serve as a loose proxy for the regulatory burden of the regulation, it is not accurate — a single regulatory requirement may impose the same burden as 100 others
- whether the legislation has been reviewed in the last decade.

Regulatory restrictions can provide assistance to industry by limiting competition, but they can also impose costs. For example, a licensing regime may reduce the number of firms competing in a market but also impose costs on the firms who must comply with the regime. Whether a regulation provides assistance overall will depend on the nature of the individual regulation.

Table C.3 Queensland legislation with regulatory restrictions on competition

Title	***Description***	***Regulatory requirements count*** *(* includes subordinate legislation)*	***Reviewed since 2005?***
Agriculture and Fisheries			
Agricultural Chemicals Distribution Control Act 1966	The Act aims to control the distribution of agricultural chemicals from aircraft and herbicides from ground equipment. The Act introduces a licensing framework and imposes restrictions on the use of certain chemicals in designated areas. It also specifies who can act in an auditing/compliance capacity.	132*	No. However, recent national reform was subject to a Decision RIS in 2013. http://ris.dpmc.gov.au/2013/05/15/national-scheme-for-the-assessment-registration-and-control-of-use-of-agricultural-and-veterinary-chemicals-coag-decision-regulation-impact-statement-standing-council-on-primary-i/

Title	***Description***	***Regulatory requirements count** (* includes subordinate legislation)*	***Reviewed since 2005?***
Agricultural and Veterinary Chemicals (Queensland) Act 1994	The Act aims to protect the health and safety of animals and the environment in Queensland by regulating the supply of agricultural and veterinary chemicals products through the adoption of Commonwealth law (Agvet Code) as Queensland law. Specifically, the Act: • prohibits chemicals from being imported, supplied or held unless approved or exempt • requires chemicals to be approved by the National Registration Authority • provides for assessment services purchased from only certain authorities • licenses chemical manufacturers and analysts • protects approval data from rivals unless compensation is paid.	3	No. However, reviewed through Commonwealth Regulatory Impact Statements http://ris.dpmc.gov.au/2011/11/29/better-regulation-of-agricultural-and-veterinary-chemicals-%e2%80%93-regulation-impact-statement-%e2%80%93-department-of-agriculture-fisheries-and-forestry/
Apiaries Act 1982	The Act aims to provide for the regulation and control of the keeping of bees and the control, prevention and restriction of diseases and pests affecting bees. The Act requires registration for beekeepers and apiaries as well as controlling the introduction and removal of hives and strains of bees. Provisions restrict a person having an apiary within a specified distance of another established apiary.	153*	The Act will be repealed on or before 1 July 2016 when the new Biosecurity Act 2014 commences. This restriction is being reviewed as part of a broader regulatory review.
Chemical Usage (Agricultural and Veterinary) Control Act 1988	The Act aims to protect the State's resource base and its natural environment and ensure that agricultural and veterinary chemicals are not misused. The Act prescribes the conditions and prohibitions on the use of chemicals, restricts the storage, use and disposal of agricultural and veterinary chemicals, and specifies who can act in an auditing/compliance capacity.	199*	No. However, recent national reform was subject to a Decision RIS in 2013.
Fisheries Act 1994	The Act aims to provide for the management, use, development and protection of fisheries resources and habitats, the management of aquaculture activities. The Act requires licensing of fishers and crew, controls on the use of boats and equipment and output controls such as total allowable catches, individual transferable quotas, bag and size limits.	2,119*	Yes, as part of the current review of fisheries management in Queensland.
Forestry Act 1959	The Act aims to manage and protect state forests and state-owned forest resources. The Act imposes licensing of timber collection and of taking of other resources, provides for administrative discretion over how licences and produce are allocated and priced and introduces requirements for sustainable management practices.	215*	Yes, in 2009. Resulted in the expiry of Part 7A (Competition Policy Reform Exemptions) of the Forestry Act 1959.

Title	***Description***	***Regulatory requirements count*** *(* includes subordinate legislation)*	***Reviewed since 2005?***
Sugar Industry Act 1999	The Act aims to facilitate an internationally competitive, export-oriented, sugar industry, based on sustainable production that benefits those involved in the industry and the wider community. The Act imposes requirements for written contracts between growers and mill owners, allows for collective bargaining under approvals from the Australian Competition and Consumer Commission and provides land access rights to harvest and supply cane.	23*	No
Veterinary Surgeons Act 1936	The Act aims to regulate and control the practice of veterinary science in Queensland. The Act introduces an occupational licensing framework which requires registration of veterinary surgeons and imposes reservation of practice.	90*	No. However, DAF advised that a steering group comprising five veterinary surgeons completed a review of the Act in 2014. It 'made recommendations to strengthen the practice restriction on the basis that they reflect community expectations for animal welfare.'
Education and Training			
Education and Care Services National Law (Queensland) Act 2011	The Act applies the Education and Care Services National Law as a law in Queensland. The purpose of the Act is to implement the National Quality Framework for early childhood education and care services commonly known as long day care services, family day care services, preschool (known as kindergarten in Queensland) and outside school hours care services. The framework establishes a licensing and accreditation regime for early childhood education services.	480*	The Commonwealth prepared a COAG RIS in 2009.
Education and Care Services Act 2013	The Act establishes a provider approval and service approval (licensing and accreditation) system for Queensland education and care services not regulated by the National Law. The services that are required to be approved under the Act include: • limited hours care services that receive Queensland Government funding • early childhood education and care services that are also disability services under the Disability Services Act 2006, which are excluded from the National Law • occasional care services • budget-based funded services that do not receive child care benefit (CCB).	623*	Yes. Regulatory Assessment Statement prepared in March 2011. http://deta.qld.gov.au/earlychildhood/pdfs/national/regulatory-assessment-statement.pdf

Title	***Description***	***Regulatory requirements count*** *(* includes subordinate legislation)*	***Reviewed since 2005?***
Education (Accreditation of Non-State Schools) Act 2001	The objective of the Act is to create a legislative regime to: • regulate all non-State organisations offering, or purporting to offer, schooling to young people • protect the standard of schooling and the safety of children, whilst being minimally intrusive in the operational affairs of schools • establish a system of accountability that addresses the verification of data, on which funding levels are based, and the formal certification by the school that its expenditure of State funds was in accordance with the purpose for which they were granted. It is an offence for a non-state school to operate unless it is accredited or provisionally accredited under the legislation.	167*	No. The Department advised that the Act is under review.
Education (Capital Assistance) Act 1993	The objective of the Act is to authorise the provision of capital assistance to eligible non-State schools on a needs basis, for capital projects that consist of the planning, construction, alteration, extension, renovation, relocation or upgrading of certain educational facilities. The Queensland Catholic Education Commission and Independent Schools of Queensland Inc. may each nominate a corporation to be a capital assistance authority (CAA). The Minister may pay amounts to each CAA to distribute to non-state schools. Each CAA must deposit the amounts with a bank or with another institution approved by the Treasurer. The main restriction is the limit on the type of financial institutions that can receive deposits/investment of CAA capital assistance funds.	133*	No
Education (Overseas Students) Act 1996	The object of the Act is to provide a framework for the conduct of programs of education and training for overseas students at state and non-state schools through: • the registration of schools who provide education and training courses to overseas students • the registration of education and training courses that are provided by schools to overseas students. Schools must be registered to provide training courses for overseas students. Education and training courses provided by schools to overseas students must also be registered.	95*	No. The Department advised that the Act is under review.

Title	***Description***	***Regulatory requirements count*** *(* includes subordinate legislation)*	***Reviewed since 2005?***
Education (Queensland College of Teachers) Act 2005	The Act establishes the Queensland College of Teachers and confers functions on the College including the registration of teachers in Queensland. Only teachers who are registered, provisionally registered or have been given permission to teach by the Queensland College of Teachers may be employed as teachers.	211*	Yes. Restrictions on competition were reviewed as part of a Public Benefits Test in 2005.
Grammar Schools Act 1975	The Act regulates the establishment and governance of grammar schools. The Act imposes an approval mechanism for the establishment of a grammar school and provides for various intervention measures (such as the capacity to withhold or grant assistance funds) and controls/limitations on activities of grammar schools (e.g. borrowing and investment practices). These may restrict the ability of such schools to compete in the overall market for secondary education.	248*	Yes. In 2013 a Departmental review was undertaken of grammar schools and whether the Act should be repealed. Conclusion was that the Act should continue.
University Acts Central Queensland University Act 1998 Griffith University Act 1998 James Cook University Act 1997 Queensland University of Technology Act 1998 University of Queensland Act 1998 University of Southern Queensland Act 1998 University of the Sunshine Coast Act 1998	These Acts establish the universities as statutory bodies in Queensland. They place some business conduct restrictions on universities.	1154	No

Title	***Description***	***Regulatory requirements count*** *(* includes subordinate legislation)*	***Reviewed since 2005?***
TAFE Queensland Act 2013	The objectives of the Act are to: • establish an independent body, TAFE Queensland, to be the public provider of vocational education and training (VET) • ensure that TAFE Queensland operates in an effective and efficient way and is commercially successful. The Act prohibits other providers from using the terms TAFE or 'technical and further education'.	37*	No. Preliminary Impact Assessment prepared prior to making the Act.
Further Education and Training Act 2014	The Act regulates apprenticeships and traineeships. The main restrictive measures are: • an employer can only employ an apprentice or trainee if there is a registered training contract in place; • Group Training Organisations (GTOs) and Principal Training Organisations (PTOs) must be licensed in order to operate.	Not available[4]	No. Preliminary Impact Assessment prepared prior to making the Act.

[4] The Act came into effect on 1 July 2014 and was not captured by the latest regulatory requirements count.

Title	Description	Regulatory requirements count (* includes subordinate legislation)	Reviewed since 2005?
Energy and Water Supply			
Electricity Act 1994	The objects of this Act are to: • set a framework for all electricity industry participants that promotes efficient, economical and environmentally sound electricity supply and use • regulate the electricity industry and electricity use • establish a competitive electricity market in line with the national electricity industry reform process • ensure that the interests of customers are protected • take into account national competition policy requirements. Under the Act, the regulator issues authorities (licences) for generation, transmission, distribution and retail activities in Queensland's electricity industry. Section 55G of the Act imposes a condition on Ergon Energy Queensland's (EEQ) retail authority. EEQ is prohibited from entering into negotiated retail contracts (i.e. competing) and must sell electricity to customers at the notified prices.	2,381*	No. The Act is scheduled to be reviewed in 2014–2016, and implementation of the outcomes of the review is scheduled for 2016–2026.
Electricity-National Scheme (Queensland) Act 1997	The main purpose of the Act is to: • govern Queensland's participation in the National Electricity Market (NEM) by applying the National Electricity Law in Queensland • apply the National Electricity Rules to the NEM in Queensland. The Act requires market participants to be licensed and follow market rules.	462*	No
Gas Supply Act 2003	The main purpose of the Act is to: • implement the franchising and licensing principles of the national gas agreement • promote efficient and economical processed natural gas supply • protect customers in reticulated process natural gas markets. The Act requires distributors and retailers to be licensed, establishes certain customer service standards, industry codes and a retailer or last resort scheme, and has a provision for the Minister to set prices.	770*	No

Title	***Description***	***Regulatory requirements count*** *(* includes subordinate legislation)*	***Reviewed since 2005?***
National Gas (Queensland) Act 2008	The Act applies the National Gas Law and National Gas Rules in Queensland. The gas law and rules regulate third-party access to national gas pipelines and establish the short term trading market and a bulletin board for information on natural gas services.	446*	No
Nuclear Facilities Prohibition Act 2007	The main purpose of the Act is to prohibit the construction and operation of particular nuclear reactors and other facilities in the nuclear fuel cycle.	14	No
Water Efficiency Labelling and Standards Act 2005	The Water Efficiency Labelling and Standards (WELS) scheme is a national scheme, which requires certain products to be registered and labelled with their water efficiency in accordance with the standard set under the *Water Efficiency Labelling and Standards Act 2005* (Cwlth). The scheme relies on Commonwealth legislation and complementary state and territory legislation for full uniform national coverage, because the Commonwealth's legislative jurisdiction does not cover unincorporated businesses, such as sole traders or partnerships. WELS products include toilets and urinals, showers and taps, washing machines and dishwashers.	59	Yes. The WELS scheme was independently reviewed in 2010. The report is available on the WELS website: http://www.environment.gov.au/system/files/resources/ea52ee0a-b783-48f1-b78e-7ddbef17beb9/files/wels-review.pdf
Environment and Heritage Protection			
Coastal Protection and Management Act 1995	The Act provides for the protection, conservation, rehabilitation and management of the coastal zone including its resources and biological diversity. From 2014, the Act only regulates allocation of quarrying material on state coastal land. All development restrictions for coastal development were transferred to the *Sustainable Planning Act 2009*. Allocation permits are issued and royalties payable if material is used for a commercial purpose.	181*	No
Environmental Protection Act 1994	The object of this Act is to protect Queensland's environment while allowing for ecologically sustainable development. The Act contains licensing and other approval requirements (which could be subject to compliance conditions e.g. prescribing allowable levels of discharge) for specified business activities.	1,529*	A review of approval processes has been completed: greentape-reduction-discussion-paper May 2011.pdf Environmentally relevant activities: greentape-ras Regulation Sept 2012.pdf Contaminated land: consultation-ris contam land April 2014.pdf

Title	***Description***	***Regulatory requirements count*** *(* includes subordinate legislation)*	***Reviewed since 2005?***
Nature Conservation Act 1992	The Act establishes a legislative basis for protected areas (e.g. national parks) and establishes controls on interfering with native plants and animals. The Act places regulatory controls on a range of activities associated with interfering with native plants and animals in order to protect biodiversity. Some activities can occur in accordance with code of practice type instruments. Licensing and permit arrangements apply for some commercial and recreational activities e.g. licensing of wildlife businesses, some activities can only be carried out by licensed operators - removing possums/snakes/birds from homes. The Act and its regulations impose outright prohibitions on a range of activities in order to conserve biodiversity e.g. harvest of almost all native animals for fur/skin/meat/pet trade is prohibited. These prohibitions are in place specifically to prevent the creation of a market for those products.	954*	No. Many elements have been modified since 2005 to remove a level of regulation. Protected plants elements were reviewed and amended in 2014 resulting in a reduction in regulatory measures. Restrictions on whale watching in state waters (outside Marine Parks) were removed in 2014.
Queensland Heritage Act 1992	The Act provides for Queensland's cultural heritage to be conserved for the benefit of the community and future generations. The Queensland Heritage Council manages the listing and delisting of places on the Queensland Heritage Register and provides recommendations about proposed development of Queensland heritage places to the Queensland Government. The Act requires local government to identify and manage places of local heritage significance; and interacts with other legislation to regulate development at Queensland heritage places. It also provides for heritage agreements and enforcement powers to protect heritage places.	69*	Yes. Two major reviews of the Act have occurred since 2005. Regulatory amendments commenced in 2008. Further amendments were passed in Parliament and are set to commence in early 2015.
Waste Reduction and Recycling Act 2011	The Act intends to conserve resources and protect the environment through improved management and recovery of waste. Businesses that dispose of or recover waste are required to report on these activities. Certain wastes have specific disposal or recovery measures e.g. disposal of Polychlorinated Biphenyl or recovery of used packaging materials may also be classified as 'not waste' to make recycling more viable.	259*	No
Health			
Ambulance Service Act 1991	The purpose of the Act is to establish the Queensland Ambulance Service (QAS) and outline its roles and functions. The Act restricts who can provide ambulance services in Queensland.	57*	Yes. In 2013, the legislation was reviewed in the context of medically authorised non-urgent patient transport (NUPT).

Title	***Description***	***Regulatory requirements count*** *(* includes subordinate legislation)*	***Reviewed since 2005?***
			While restrictions on competition were reduced for non-urgent patient transport, QAS transport services utilising the clinical services of a paramedic are not open to contestable arrangements.
Food Act 2006	The Act establishes a licensing scheme to regulate particular food businesses and applies the national food standards code to those businesses. The code covers handling and selling food, securing the safety and suitability of food and fixing standards for food.	398*	No. The Department advised it is developing a number of policy revision options and administrative changes for the Food Act 2006.
Health Act 1937	The Act is the head of power for the Health (Drugs and Poisons) Regulation 1996 (HDPR) and the Health Regulation 1996. HDPR specifies the controls on who can access medicines and poisons and what safeguards need to apply for public health and safety. The Health Regulation 1996 covers the requirements for dispensaries including sterile and antineoplastic medicines compounding, advertising claims that cannot be made in relation to medicines and poison, requirements for safe manufacturing of human medicines and miscellaneous provisions.	2,097*	No. The Department proposes to repeal the Act and replace it with new legislation.
Health Practitioner Regulation National Law Act 2009 Health Practitioner Regulation National Law (Queensland)	The Health Regulation National Law 2009 regulates the registration and accreditation of specified health practitioners and restricts persons from practising in those health professions if they are not registered under this law.	427*	A three-year national review is underway, by the Australian Health Workforce Ministerial Council.
Pest Management Act 2001	The Act establishes a licensing scheme to regulate pest control activities and fumigation activities. It requires persons to have a licence to carry out pest control activities.	286*	No. The Department advised it is undertaking a review of the Act.

Title	***Description***	***Regulatory requirements count*** *(* includes subordinate legislation)*	***Reviewed since 2005?***
Pharmacy Business Ownership Act 2001	The Act restricts pharmacy ownership by limiting who may own a pharmacy business and the number of pharmacy businesses that a person can own. The Commonwealth Pharmacy Location Rules also regulate the supply of pharmacy services. The Act specifies that: • pharmacists have to be present when the business is open • a business must be in the ownership control of a pharmacist (includes allowable trust structures) • a pharmacist can only have an interest in a maximum of five pharmacies.	56	No. The Department advised it is undertaking a review of the Act.
Private Health Facilities Act 1999	The Act establishes a licensing scheme for persons to operate a private health facility.	237*	No. The Department advised it is undertaking a review of the Act and is due to complete the review in early 2016.
Public Health (Infection Control for Personal Appearance Services) Act 2003	The Act establishes a licensing scheme for persons who operate a business that provides higher risk personal appearance services (i.e. body piercing, implanting, scarring, tattooing and other skin penetration services).	187*	No. The Department advised it is undertaking a review of the Act.
Radiation Safety Act 1999	The Act establishes a licensing scheme to regulate and restrict the possession and use of radiation sources and the transportation of radioactive substances, and imposes restrictions on the acquisition and relocation of radiation sources and the disposal of radiation apparatus and radioactive material.	2,051*	No
Tobacco and Other Smoking Products Act 1998	The Act restricts advertising and promotion of tobacco and other smoking products and prohibits the supply of tobacco and other smoking products to children. The Act restricts who may sell smoking products via a tobacco product vending machine to only a licensed premises, a casino or in a gaming machine area, and also restricts smoking products from being sold from more than one point of sale, which means a premises with a tobacco product vending machine is unable to sell smoking products from the bar.	366*	No

Title	*Description*	***Regulatory requirements count*** *(* includes subordinate legislation)*	*Reviewed since 2005?*
Transplantation and Anatomy Act 1979	The Act prohibits the 'selling' of human tissue (e.g. organs, blood and other body/foetus parts). However, tissue banks (the names of which are prescribed in the Transplantation and Anatomy Regulation 2004) are 'protected' in the sense that they are partially exempt from this general prohibition. Prescribed tissue banks can charge an amount to recover 'reasonable costs associated with removing, evaluating, processing, storing and distributing donated tissue'	198*	No
Housing and Public Works			
Architects Act 2002	The aim of the Act is to ensure architectural services of an architect are provided in a professional and competent way. The Act establishes a licensing and registration scheme and a Board of Architects to administer the scheme.	277*	No
Building Act 1975	The aim of the Act is to establish a framework to ensure that building work meets minimum standards relating to safety, health, amenity and sustainability. The Act regulates a range of matters including building development approvals, building work, building classification, building certifiers and pool safety inspectors, and provides for particular matters such as swimming pool safety and sustainable buildings. It also sets restrictions for who can assess, inspect and approve certain building work, and establishes the licensing and disciplinary framework for building certifiers.	878	The Department advised it is undertaking a review of the Act.
Housing Act 2003	The objectives of the Act are to: • improve the access of Queenslanders to safe, secure, appropriate and affordable housing • help build sustainable communities. The Act governs certain types of entities, including registering them and providing financial or other types of assistance to provide housing services.	229*	Some. Part 4A of the Act was reviewed through a Regulatory Impact Assessment in 2012 by the Commonwealth Office of Best Practice Regulation.

Title	***Description***	***Regulatory requirements count*** *(* includes subordinate legislation)*	***Reviewed since 2005?***
Manufactured Homes (Residential Parks) Act 2003	This Act aims to provide consumer protection to manufactured home owners and encourage growth of the residential parks industry. The Act seeks to regulate, and promote fair trading practices in, the operation of residential parks. The main restrictions on business in this Act include: • declaring particular rights and obligations of park owners and home owners • requiring disclosure of information about a residential park and the Act to prospective home owners • regulating site agreements and variation of site rent, allowing participation by home owners in the affairs of the park and providing ways of resolving disputes.	426*	No. The Department advised it is undertaking a review of the Act. The review will be concluded in early 2016.
Plumbing and Drainage Act 2002	The Act governs: • the assessment and approval of plumbing and drainage work • the licensing and compliance of plumbers and drainers • the approval of on-site sewerage and grey water facilities • other plumbing and drainage matters, such as backflow prevention devices, tempering valves and water meters. The restrictions are intended to ensure that the underlying objectives relating to health and safety are not compromised.	1,012*	No. The Department advised it is undertaking a review of the Act.
Professional Engineers Act 2002	The Act regulates the provision of engineering services in Queensland. The aim of the Act is to protect the health and safety of the all Queenslanders by ensuring only appropriately qualified and competent persons provide professional engineering services.	143*	No
Queensland Building and Construction Commission Act 1991	The Act regulates the building industry in Queensland. The aims of the Act are to ensure the maintenance of proper standards in the industry, achieve a reasonable balance between the interests of building contractors and consumers, provide remedies for defective building work and provide support, education and advice for consumers and those who undertake building work. The Act establishes the Queensland Building and Construction Commission (QBCC), a licensing regime for building industry participants, a regime for banning certain individuals and companies from industry participation, special consumer protection provisions applicable to building contracts other than domestic building contracts, a statutory insurance scheme known as the Queensland Home Warranty Scheme to help	775*	No. The Department advised it is undertaking a review of the Act.

Title	***Description***	***Regulatory requirements count*** *(* includes subordinate legislation)*	***Reviewed since 2005?***
	cover consumers in case of defective work, a regime for the QBCC to require mandatory rectification of defective work, provisions giving jurisdiction to the Queensland Civil and Administrative Tribunal to hear various building dispute matters, provisions for statutory registers of licensees including a record of offences or breaches committed by them and provisions establishing inspectors to investigate suspected offences under the Act. The *Queensland Building and Construction Commission and Other Legislation Amendment Act 2014* altered the licensing and demerit points regimes, expanded the Queensland Home Warranty Scheme, introduced an early dispute intervention process to allow the QBCC to conciliate/mediate disputes between consumers and contractors at no cost, repealed the Domestic Building Contracts Act 2000 and introduced a new part into the Act which details the minimum requirements in domestic building contracts.		
Residential Tenancies and Rooming Accommodation Act 2008	The aim of the Act is to balance the rights and responsibilities of tenants, residents, lessors and agents in Queensland residential tenancies. The Act aims to achieve this by establishing the Residential Tenancies Authority, regulating tenancy agreements, providing dispute resolution services and secure rental bond management services.	1,541*	No. The Department advised it is undertaking a review of the Act.
Residential Services (Accreditation) Act 2002	This Act regulates the conduct of residential services, including private boarding houses, supported accommodation hostels and aged rental accommodation. The restrictions in the Act aim to: • protect the health, safety and basic freedoms of residents • encourage service providers to continually improve the way they conduct residential services • support fair trading in the residential service industry. The main restrictions on competition in this Act include: • establishing a registration system, under which a residential service is registered only if the service provider is suitable and premises are safe • establishing an accreditation system, under which a service is accredited to provide a type of service only if provided in a way that meets minimum standards.	279*	No. A review of the Act is scheduled for 2015.

Title	***Description***	***Regulatory requirements count*** *(* includes subordinate legislation)*	***Reviewed since 2005?***
Retirement Villages Act 1999	This Act aims to promote consumer protection and fair trading practices in retirement villages and encourage growth and viability of the retirement village industry. The restrictions in this Act: • declare particular rights and obligations of residents and scheme operators • facilitate disclosure of information to prospective residents to ensure the rights and obligations of the residents and scheme operator may be easily understood • facilitate participation by residents, who want to be involved, in the affairs of retirement villages • provide for processes for resolving disputes between residents and scheme operators.	667*	No. The Department advised it is undertaking a review of the Act. One of the aims of the review of this Act is to reduce the regulatory burden on operators. The review will conclude in 2015.
Justice — Gambling			
Casino Agreement Acts Breakwater Island Casino Agreement Act 1984 Brisbane Casino Agreement Act 1992 Cairns Casino Agreement Act 1993 Jupiters Casino Agreement Act 1983	The Agreement Acts were introduced to enable the Queensland Government to make agreements with a business to develop and operate certain casinos. The Agreements themselves are confidential. The Agreement Acts refer to a range of actions that would confer a benefit on the casino developer (e.g. tax concessions, exempting or modifying the application of certain legislation such as heritage, planning and liquor legislation).	5	No
Casino Control Act 1982	These Acts provide for the regulation and control of: • the operation of casinos • gaming conducted to raise funds for charitable and non-profit purposes • gaming machines • interactive gambling • keno games • wagering	581*	No
Charitable and Non-Profit Gaming Act 1999		359*	No. The Department advised it is undertaking a review of the Act.
Gaming Machine Act 1991		1,918*	No
Interactive Gambling (Player Protection) Act 1998		532*	No
Keno Act 1996		473*	No

Title	***Description***	***Regulatory requirements count*** *(* includes subordinate legislation)*	***Reviewed since 2005?***
Wagering Act 1998	with the aim of ensuring that, on balance, the state and community as a whole benefits from gambling by ensuring the integrity and fairness of games; ensuring the probity of those involved in the conduct of gambling; and minimising the potential for harm from gambling. Provisions include licensing requirements and restrictions on the conduct of licensees. Some of the Acts make the conduct of gambling, which would otherwise be illegal, lawful within licensed premises.	796*	No
Justice — Industrial Relations			
Child Employment Act 2006	The purpose of this Act is to safeguard children working in Queensland. This is to be achieved by: • ensuring that work does not interfere with children's schooling • preventing children performing work that may be harmful to their health or safety or physical, mental, moral or social development. The Act specifies maximum allowable hours of work, prohibited working hours, parental consent requirements, record keeping requirements and penalties and enforcement provisions.	291*	No
Industrial Relations Act 1999	The legislation provides the industrial relations framework for employers and employees in Queensland who are not subject to the national workplace relations system. This includes the constitution of the State's industrial relations tribunals, provisions for the registration and conduct of industrial organisations, minimum employment standards, and regulation and enforcement provisions.	3,719*	No
Justice — Consumer protection, occupational/business licensing, business conduct, other			
Classification of Computer Games and Images Act 1995	The National Classification Scheme (NCS) is a cooperative arrangement between Commonwealth, State and Territory governments. The relevant Queensland legislation for the NCS is the *Classification of Computer Games and Images Act 1995*, the *Classification of Films Act 1991* and the *Classification of Publications Act 1991*. Under the NCS:	123	No
Classification of Films Act 1991		214	No
Classification of Publications Act 1991		115*	No

Title	***Description***	***Regulatory requirements count*** *(* includes subordinate legislation)*	***Reviewed since 2005?***
	• the Commonwealth Classification Board has primary responsibility for the classification of material in Australia and the states and territories are responsible for the enforcement of classification decisions. • it is an offence to exhibit, sell or hire films or computer games (and some publications) without having them classified. • the classification determines whether there are legal restrictions on who can see or buy the product. Films or games receiving a certain classification can be prohibited from sale, hire or exhibition.		
Cooperatives Act 1997	The aim of the Act is to promote the development and flexible operation of cooperatives in Queensland. The Act achieves this through a legislative framework which governs the formation, registration and management of trading and non-trading cooperatives.	2,264*	No
Credit (Rural Finance) Act 1996	The aim of the Act is to provide some protection to farmers against the enforcement of mortgages over equipment used in their farming businesses. The Act achieves this by providing: • a mortgagee to give at least 30 days notice before exercising a right to take possession of, or sell, farm equipment • permitting the court to make an order allowing a farmer to keep possession of equipment, for up to one year, under certain conditions.	51	No
Dispute Resolution Centres Act 1990	The Act governs the establishment the operation of dispute resolution centres in Queensland. It prohibits the use of the words 'dispute resolution centre' or DRC by any operator except those established under the Act.	Not available[5]	No

[5] Identified as an instrument of a justice or policing nature and excluded from the regulatory requirements count.

Title	*Description*	***Regulatory requirements count*** *(* includes subordinate legislation)*	***Reviewed since 2005?***
Electrical Safety Act 2002	The purpose of this Act is to establish a legislative framework for preventing: • persons from being killed or injured by electricity • property from being destroyed or damaged by electricity. The Act establishes: • regulations and codes of practice for working around electricity • a licensing system for electrical workers • consumer protection provisions.	2,167*	Yes. Amendments to the Act commenced on 1 January 2014. These amendments aligned the ES Act with Work Health and Safety Act 2011 which commenced on 1 January 2012 and was subject to a National RIS. The RIS is available at: http://www.safeworkaustralia.gov.au/sites/swa/model-whs-laws/ris/pages/ris
Fair Trading Act 1989	This Act applies the Australian Consumer Law (ACL) as a law of Queensland. Commencing on 1 January 2012, the ACL regulates all sectors equally. The ACL includes: • an unfair contract terms law covering standard form consumer contracts • guarantees of consumer rights when buying goods and services • a product safety law and enforcement system • provisions for unsolicited consumer agreements covering door-to-door sales and telephone sales • rules for lay-by agreements • penalties, enforcement powers and consumer redress options.	230*	Yes. From 2008 to 2011, Commonwealth Treasury led a COAG national reform project to develop the Australian Consumer Law. This national review included a number of Consultation and Decision-Making RIS during that period. These papers are held by Commonwealth Treasury and are available at http://www.consumerlaw.gov.au/content/Content.aspx?doc=ACL_consultations.htm
Funeral Benefit Business Act 1982	The aim of the Act is to protect consumers who enter into funeral benefit agreements. The Act aims to achieve this by requiring operators to provide written documentation as well as a 30-day cooling-off period. The Act requires that a funeral benefit business must also place all contributions into a trust fund account and the Act imposes restrictions on how the monies may be invested and applied.	458*	No
Introduction Agents Act 2001	The aim of the Act is to provide for fair trading within the introduction agency industry. The Act introduces an occupational licensing and regulatory framework, sets minimum standards for operators, establishes methods for disqualification and introduces a compulsory cooling off period.	143*	No

Title	***Description***	***Regulatory requirements count*** *(* includes subordinate legislation)*	***Reviewed since 2005?***
Invasion of Privacy Act 1971	The Act aims to protect privacy by regulating the monitoring or recording of private conversations. The main restriction is the prohibition on advertising of listening devices.	9	No
Land Sales Act 1984	The Act aims to facilitate property development in Queensland while protecting the interests of consumers. The Act imposes requirements for payments to be held in trust accounts, introduces disclosure of information and lot descriptions and provides exemptions for small subdivisions and large transactions.	173	No
Legal Profession Act 2007	The Act aims to regulate legal practice and provide protection to consumers of legal services. In addition, the Act aims to facilitate the regulation of legal practice on a national basis across State borders. The Act introduces an occupational licensing framework, reservation of legal work, business conduct requirements and a disciplinary process.	2,065*	No
Liquor Act 1992	The Act regulates the sale and supply of liquor and the provision of adult entertainment through provisions that aim to minimise harm from the misuse and abuse of liquor, facilitate development of the liquor industry, provide for the review of decisions under the Act, and provide revenue to the State to support the purposes of the Act and Government as a whole. The Act establishes a licensing regime for the sale of liquor and restricts who can supply liquor and under what conditions e.g. it specifies size and type of premises, and hours and conduct restrictions on the service of liquor. Only a commercial hotel licence holder can operate a bottle shop.	881*	Regulatory Impact Statement/Draft Public Benefit Test was undertaken in 2008 with major reforms being undertaken in 2009. https://www.legislation.qld.gov.au/LEGISLTN/SLS/RIS_EN/2008/08SL418R.pdf
Lotteries Act 1997	The Act regulates lotteries to ensure that the state and community as a whole benefit by allowing lotteries subject to a system of regulation and control designed to protect players and the community; and ensure the integrity and fairness of games; the probity of those involved in the conduct of lotteries; and minimise the potential for harm from lotteries.	528*	No
Mercantile Act 1867	The Act outlines the entitlement of securities following a discharged liability as well as good consideration in certain dealings.	8	No
Partnership Act 1891	The Act establishes a framework for the application of laws of partnership to limited partnerships and incorporated limited partnerships. The Act imposes restrictions on the activities of partners by providing that partners must account to the firm for private profits from transactions concerning the firm and not compete directly with the firm.	203*	No

Title	***Description***	***Regulatory requirements count*** *(* includes subordinate legislation)*	***Reviewed since 2005?***
Private Employment Agents Act 2005	The Act regulates the conduct of private employment agents in interacting with job seekers through a mandatory code of conduct.	148*	No. However, a Public Benefits Test under National Competition Policy Guidelines was conducted during 2004 as part of the development of this legislation.
Professional Standards Act 2004	The Act aims to improve the occupational standards of professionals and other bodies and protect consumers of the services provided. The Act enables the creation of limited liability schemes and establishes a council to supervise the preparation and application of the schemes.	93*	The Department advised that the Act is under review.
Property Occupations Act 2014	The Act aims to protect consumers against undesirable practices associated with the promotion of residential property. The Act provides an occupational licensing and conduct framework for businesses and individuals operating in the real property sector.	577* (Upon commencement)	Reviewed as part of the repeal and split of the Property Agents and Motor Dealers Act 2000 into four separate Acts.
Motor Dealers and Chattel Auctioneers Act 2014	The Act provides an occupational licensing and regulatory framework for motor dealers, chattel auctioneers and motor salespersons. The Act also regulates the fees and commissions that can be charged for particular transactions.	596* (Upon commencement)	Reviewed as part of the repeal and split of the Property Agents and Motor Dealers Act 2000 into four separate Acts.
Debt Collectors (Field Agents and Collection Agents) Act 2014	The Act aims to protect consumers against undesirable activities and practices associated with debt collectors and subagents. The Act provides an occupational licensing and regulatory framework.	315 (Upon commencement)	Reviewed as part of the repeal and split of the Property Agents and Motor Dealers Act 2000 into four separate Acts.
Prostitution Act 1999	The Act aims to ensure quality of life for local communities, safeguard against corruption and organised crime, address social factors which contribute to involvement in the sex industry, promote safety and ensure a healthy society. The Act imposes licensing and development approval obligations, restrictions on the number of prostitutes at licensed brothels as well as business conduct requirements.	Not available[6]	Yes. Reviewed by the Crime and Misconduct Commission in 2005 and 2006.
Retail Shop Leases Act 1994	The Act aims to promote efficiency and equity in the conduct of retail businesses in Queensland. The Act imposes mandatory minimum standards for retail shop leases and provides a low cost dispute resolution process for retail tenancy disputes.	329*	The Department advised that the Act is under review.

[6] Identified as an instrument of a justice or policing nature and excluded from the regulatory requirements count.

Title	***Description***	***Regulatory requirements count** (* includes subordinate legislation)*	***Reviewed since 2005?***
Sale of Goods (Vienna Convention) Act 1986	The Act gives effect within Queensland to the United Nations Convention on Contracts for the International Sale of Goods and for other purposes. The Act imposes the adoption of uniform rules which govern contracts for the international sale of goods.	92	No
Sale of Goods Act 1896	The Act aims to codify the common law relating to the sale of goods. The Act introduces rights and remedies relating to commercial transactions between parties for the sale of goods.	48	No
Second-hand Dealers and Pawnbrokers Act 2003	The Act aims to regulate the activities of second-hand dealers and pawnbrokers while protecting consumers from purchasing stolen property and deterring crime in the market. The Act provides an occupational licensing and regulatory framework including requirements for the conduct of business.	Not available[7]	No
Security Providers Act 1993	The Act provides an occupational licensing and regulatory framework and imposes record keeping requirements on security providers.	860*	In late 2005 and early 2006, a Public Benefit Test was undertaken to assess whether the proposals to increase the licensing categories and strengthen the 'appropriate person' suitability criteria would result in a net benefit to the community. This process was completed with specific recommendations to amend the Act to implement these proposals.
Tattoo Parlours Act 2013	The Act provides an occupational licensing and regulatory framework aimed at eliminating and preventing infiltration of the Queensland tattoo industry by criminal organisations including motorcycle gangs and their associates.	195*	No
Tourism Services Act 2003	The Act aims to provide protection for consumers by regulating the conduct of inbound tour operators and tour guides. The Act provides an occupational licensing and regulatory framework which includes a code of conduct.	206*	No

[7] Identified as an instrument of a justice or policing nature and excluded from the regulatory requirements count.

Title	***Description***	***Regulatory requirements count*** *(* includes subordinate legislation)*	***Reviewed since 2005?***
Trading (Allowable Hours) Act 1990	The Act includes provisions to: • decide the allowable trading hours of shops, other than exempt shops, throughout Queensland • require employees be given a holiday for, and to decide when certain places must close on, Anzac Day • provide for closure of banks and insurance companies on bank holidays • prohibit soliciting in any publication for business to be transacted outside allowable trading hours at any factory or shop • facilitate trading in tourist areas. The Act restricts when non-exempt shops can open to specified days and hours.	102*	No
Wine Industry Act 1994	The objectives of this Act are to promote the development, growth and efficiency of the wine industry in Queensland, including its potential to facilitate tourism, and ensure the integrity of the Queensland wine industry. The Act imposes a licensing requirement on those who sell wine which they have made commercially and introduces business conduct obligations on licensees.	216*	No
Work Health and Safety Act 2011	The main object of this Act is to provide for a balanced and nationally consistent framework to secure the health and safety of workers and workplaces. The framework: • sets codes of practice and establishes provisions for accredited training programs • sets provisions for appointing inspectors and workplace health and officers • requires plant and plant design registration • requires certification for prescribed activities and licensing for high risk work.	4,331*	The model Workplace Health and Safety (WHS) Act and supporting Work Health and Safety Regulation 2011 were both subject to a National RIS. The RIS is available at: http://www.safeworkaustralia.gov.au/sites/swa/model-whs-laws/ris/pages/ris

Title	*Description*	***Regulatory requirements count*** *(* includes subordinate legislation)*	*Reviewed since 2005?*
Workers' Compensation and Rehabilitation Act 2003	This Act establishes a workers' compensation scheme for Queensland: • providing benefits for workers who sustain injury in their employment • encouraging improved health and safety performance by employers. The Act requires all Queensland employers to insure their workers against workplace accidents and premiums are determined by an independent government-owned statutory body. Certain employers may elect to self-insure, subject to eligibility criteria.	1,136*	Yes. The Queensland Parliament's Finance and Administration Committee reviewed the scheme in 2012. In response to the Committee's report, Parliament passed the Workers' Compensation and Rehabilitation and Other Legislation Amendment Act 2013 (amendment Act).
Infrastructure, Local Government and Planning			
City of Brisbane Act 2010	The Act provides governance arrangements exclusively for Brisbane City Council given the unique status of the Council. See the Local Government Act 2009 below.	97*	
Local Government Act 2009	The prime purpose of the legislation is to establish the framework for the constitution, planning and operation of local government (i.e. essentially it is enabling legislation). The main restrictions on competition are the exclusive right for a local government to operate a river ferry service and some restrictions surrounding superannuation.	121*	
Economic Development Act 2012	The main purpose of the Act is to facilitate economic development and development for community purposes where the private market is not able to meet demonstrated need. Land declared as a Priority Development Area under the Act is subject to shorter assessment timeframes and fewer approval requirements than the Sustainable Planning Act 2009 (SPA), which is generally applicable to other development.	155*	No
Regional Planning Interests Act 2014	The Act places the requirement on resource and other regulated activities to either obtain a regional interests development approval and/or meet certain requirements if they propose to locate within an area of regional interest (as defined in the Act). This requirement is not applicable to similar activities that are not proposed to be located with an area of regional interest.	81*	No

Title	*Description*	***Regulatory requirements count*** *(* includes subordinate legislation)*	*Reviewed since 2005?*
Royal National Agricultural and Industrial Association of Queensland Act 1971	The Act is primarily designed to provide for the incorporation of the Royal National Agricultural and Industrial Association of Queensland. In addition, the Act ensures that redevelopment of the Royal National Agricultural and Industrial Association of Queensland (RNA) Showgrounds allowed for finance to be sourced only from the Queensland Treasury Corporation to ensure that the prescribed land remains in public ownership in perpetuity due to its iconic status.	72*	Act reviewed in 2010.
South Bank Corporation Act 1989	The purpose of this Act is the development of public space and facilities within the declared South Bank area. Provisions in the Act modify/exclude the operation of other statutes e.g. South Bank Corporation is exempt from local government rates. Other provisions can be used to grant special privileges to lessees in the declared area e.g. an exclusive licence to sell a particular product.	1,657*	No
Sustainable Planning Act 2009	This Act establishes a framework for planning and development. It sets out procedures for the approval of development in Queensland. The Act controls the use of land in Queensland.	809*	No
National Parks, Sport and Racing			
Fisheries Act 1994 (NPRSR areas of responsibility only)	The Act establishes a permit process for undertaking certain works or disturbance in protected fish habitat areas. See also corresponding Agriculture Fisheries and Forestry entry above.	2,119* (As above)	RIS prepared on the Fisheries Regulation 2008 remake. Available at: https://www.legislation.qld.gov.au/LEGISLTN/SLS/RIS_EN/2008/08SL083R.pdf
Forestry Act 1959 (NPRSR areas of responsibility only)	The Act requires permits or other approvals for specified activities in State forests. In addition, commercial activity authorities for tours to certain locations are required to limit capacity. See also corresponding Agriculture Fisheries and Forestry entry above.	215* (As above)	No

Title	***Description***	***Regulatory requirements count*** *(* includes subordinate legislation)*	***Reviewed since 2005?***
Marine Parks Act 2004	The Act aims to provide for conservation of the marine environment. The Act provides for the declaration of marine parks and restricts the activities which can be undertaken within the marine park. The Act restricts or suppliers by issuing permit for certain activities. The Marine Parks Regulation 2006 restricts the number of permissions (permits) that can be granted for commercial whale watching in specific waters e.g. there is a limit of 20 permits for commercial whale watching operators in the Great sandy Marine Park and a limit of three permits in the Moreton Bay Marine Park.	945*	Subordinate legislation reviewed through Public Benefit Test in September 2005.
Nature Conservation Act 1992	The Act aims to provide for the conservation of nature while allowing for the involvement of the indigenous people in the management of protected areas and the use and enjoyment of protected areas by the community consistent with the values of the area. The Act restricts the taking and use of natural and cultural resources from protected areas and provides for permits and licences for certain activities in protected areas. There is an outright prohibition on some activities to conserve biodiversity e.g. the harvest of almost all native animals for fur/skin/meat/pet trade is prohibited.	954* (as above)	Subordinate legislation reviewed through Public Benefit Test in September 2005.
Racing Act 2002	The Act aims to maintain public confidence in the racing of animals in Queensland for which betting is lawful, ensure the integrity of all persons involved with racing or betting and safeguard the welfare of all animals involved in racing. The Act provides for: • the approval of new codes of racing • the requirements and approval process to obtain a control body approval (licence) • the issuing of an eligibility certificate, to applicants for a racing bookmaker's licence. The holder of an eligibility certificate can then apply to a control body for a racing bookmaker's licence. • the accreditation of facilities to provide drug testing and scientific services for control bodies • the granting of race information authorities to licensed wagering operators by control bodies.	906*	No

Title	Description	Regulatory requirements count (* includes subordinate legislation)	Reviewed since 2005?
Recreation Areas Management Act 2006	The Act aims to facilitate the establishment, maintenance and use of recreation areas. The Act introduces a framework for establishing recreation areas and a licensing system to authorise recreational and commercial activities in a recreation area.	571*	No. Subordinate legislation reviewed through Public Benefit Test in September 2005.
Natural Resources and Mines			
Explosives Act 1999	The Act seeks to control explosives (e.g. blasting explosives, fireworks, ammunition, flares, airbags for motor vehicles and novelty items such as caps for toy guns) and explosives activities (e.g. blasting and fireworks displays) but only to the extent necessary for community safety. Methods of control prescribed in the regulation include various authorisations/prohibitions of explosives, licensing, requirements for the import or export of explosives, requirements for the manufacture, transportation, storage and selling of explosives, requirement for a safety management system and compliance with a code of conduct.	633*	No. Safe Work Australia is reviewing proposals for harmonisation.
Fossicking Act 1994	This Act regulates the access fossickers have to farming and other land. The Act exists to balance the interests of the fossickers with relevant landholders. The Act provides an administrative framework for recreational and tourist fossickers searching for gemstones, minerals and ornamental stones throughout the State. It also aims to assist in tourist promotion activities of regional authorities, particularly in rural and outback areas, by improving access to well-known fossicking localities. The Act provides for permits, restricts the methods which may be used (hand tools) and the depth of excavations.	367*	No
Geothermal Energy Act 2010	The main purpose of this Act is to encourage and facilitate the safe production of geothermal energy for the benefit of all Queenslanders. The Act provides for the granting of authorities (called 'geothermal tenures') to explore for or produce geothermal energy; and creates a regulatory system for the carrying out of activities relating to geothermal tenures. The Act imposes mandatory conditions on geothermal tenure holders to minimise conflict with other land uses; consult with people affected by the activities; provide appropriate compensation for owners or occupiers of land adversely affected by the activities; require responsible land and resource management.	1,065*	No

Title	Description	Regulatory requirements count (* includes subordinate legislation)	Reviewed since 2005?
Greenhouse Gas Storage Act 2009	The main purpose of this Act is to help reduce the impact of greenhouse gas emissions on the environment. This Act provides for the granting of greenhouse gas authorities ('GHG authorities') to explore for or use underground geological formations or structures to store carbon dioxide, or carry out related activities; and creates a regulatory system for the carrying out of activities relating to GHG authorities. The Act imposes mandatory conditions on GHG authorities to minimise conflict with other land uses; consult with people affected by the activities; provide appropriate compensation for owners or occupiers of land adversely affected by the activities; require responsible land and resource management.	1,025*	No
Land Act 1994	The Act governs the management of state-owned land. The Act establishes different types of leasehold tenure. It contains restrictions on who can hold certain types of leases and limits on how lessees can sell, lease, sublet, subdivide and amalgamate land.	1,255*	No
Mineral Resources Act 1989	The objectives of this Act are to encourage and facilitate prospecting and exploring for and mining of minerals, encourage environmental responsibility in prospecting, exploring and mining and ensure an appropriate financial return to the State from mining. The Act requires various permits, licences and leases to undertake certain activities.	2,061*	No
Mining and Quarrying Safety and Health Act 1999 (and Coal Mining Safety and Health Act 1999)	The objects of this Act are to protect the safety and health of persons at mines and persons who may be affected by operations and to require that the risk of injury or illness to any person resulting from operations is at an acceptable level. The Act provides for: • safety and health obligations and rights of workers, and other persons and organisations involved • requirements for notification of starting operations, and of the appointment of operators, site senior executives, and underground mine managers • accident notification and investigation • requirements to keep various records.	1,357*	Consultation RIS completed in 2013.

Title	***Description***	***Regulatory requirements count*** *(* includes subordinate legislation)*	***Reviewed since 2005?***
Petroleum and Gas (Production and Safety) Act 2004	The Act regulates petroleum exploration and production activities, coal seam gas, pipeline licensing other than distribution, and manages safety and technical matters for the upstream and downstream petroleum industries, and gas consumers. Another purpose of this Act is to facilitate the operation of the *Geothermal Energy Act 2010* and the *Greenhouse Gas Storage Act 2009*. The Act establishes: a process for awarding exploration tenders and petroleum leases; a pipeline licensing regime; mandatory reporting obligations; requirements to pay compensation to affected landowners; and safety and technical requirements.	2,628*	No
Petroleum Act 1923	The petroleum sector is now largely regulated under the *Petroleum and Gas (Production and Safety) Act 2004*, however some provisions in the *Petroleum Act 1923* remain in force.	1,202*	No
Petroleum (Submerged Lands) Act 1982	The tenure and royalty aspects of exploration and production of petroleum from Queensland waters are regulated under this Act. It operates under the Offshore Constitutional Settlement of 1979 and in conjunction with the *Offshore Petroleum and Greenhouse Gas Storage Act 2008* (Cwlth).	752	No
Surveyors Act 2003	The Act aims to: ensure surveys are carried out by registrants in a professional and competent way. The Act: establishes the Surveyors Board of Queensland; provides for the registration of surveyors; imposes obligations on persons in relation to the practice of the profession; provides for the investigation and conduct of disciplinary proceedings about, registrants' professional conduct; and provides for the monitoring and enforcement of compliance with this Act.	453*	No
Valuers Registration Act 1992	The Act regulates the registration of valuers and the governance and functions of the Valuers Registration Board of Queensland. The primary functions of the Board are to: register valuers of land and maintain a roll of registered valuers; authorise the investigation of complaints in relation to the conduct of registered valuers; appoint a committee to consider charges of misconduct, incompetence or negligence in the person's performance as a valuer and maintain a roll of specialist retail valuers.	154*	No
Water Act 2000	The Act regulates the planning, allocation and use of water in Queensland. It establishes a system of water rights and requires certain occupations (e.g. water bore drillers) or activities to be licensed.	6,956*	Yes. RIS prepared in 2014.

Title	Description	Regulatory requirements count (* includes subordinate legislation)	Reviewed since 2005?
Science, Information Technology and Innovation			
Biodiscovery Act 2004	The Act aims to provide for streamlined and sustainable access to the State's native biological resources for the purposes of biodiscovery whilst returning a fair and equitable benefit to the State, for the benefit of all Queenslanders. The Act establishes: • a regulatory framework for taking and using native biological resources • a contractual framework for benefit sharing • a compliance code and collection protocols • monitoring and enforcement provisions.	46	Yes. A Public Benefit Test / RIS was undertaken in consultation with Queensland Treasury prior to introducing the Bill. Reviewed in 2009.
Gene Technology Act 2001	Gene technology activities in Queensland are currently governed by the *Gene Technology Act 2001* and the Gene Technology Regulation 2002. The object of the regulatory scheme is to protect the health and safety of people, and to protect the environment, by identifying risks posed by or as a result of gene technology, and by managing those risks through regulating certain dealings with genetically modified organisms (GMOs). Queensland's legislative framework mirrors the Commonwealth gene technology legislation. Both state and territory and Commonwealth legislation are needed to achieve a nationally consistent scheme that provides full regulatory coverage for gene technology.	102*	Yes. Reviews undertaken in 2006 and 2013. Section 194 of the Queensland Act requires a review of the operation of the Queensland Act whenever a review of the *Gene Technology Act 2000* (the Commonwealth Act) is undertaken. The review of the Queensland Act must be undertaken either as part of the review of the Commonwealth Act or after the review of the Commonwealth Act.
State Development			
Agreement Acts Alcan Queensland Pty. Limited Agreement Act 1965 Amoco Australia Pty. Limited Agreement Act 1961 Ampol Refineries Limited Agreement Act 1964	These Agreement Acts were introduced to facilitate specific investments in Queensland. In exchange for certain commitments, the government provided the investor a range of concessions e.g. changes or exemptions to planning laws, tax and fee concessions and funding for infrastructure.	52	

Title	***Description***	***Regulatory requirements count*** *(* includes subordinate legislation)*	***Reviewed since 2005?***
Austral-Pacific Fertilizers Limited Agreement Act 1967 Central Queensland Coal Associates Agreement Act 1968 Central Queensland Coal Associates Agreement and Queensland Coal Trust Act 1984 Central Queensland Coal Associates Agreement Variation Act 1996 Queensland Nickel Agreement Act 1970 Townsville Breakwater Entertainment Centre Act 1991 Townsville Zinc Refinery Act 1996			
Queensland Industry Participation Policy Act 2011	The Act requires all Queensland governments to develop a local industry participation policy. The Act does not prescribe any explicit competition restrictions to be contained within any local industry policy developed by government, but aims to facilitate local industry participation.	3	No
State Development and Public Works Organisation Act 1971	The Act provides for state planning and development. It also provides environmental coordination for large and complex projects. The Act controls the use of land in Queensland.	388*	Red tape reduction amendments were made to the Act in 2014.
Tourism, Major Events, Small Business and the Commonwealth Games			
Traveller Accommodation Providers (Liability) Act 2001	The Act aims to support the tourism industry by mitigating some of the consequences of innkeepers' liability under common law. The Act achieves this by limiting the strict liability of accommodation providers as well as allowing accommodation providers to exercise an innkeeper's lien.	13	No

Title	***Description***	***Regulatory requirements count** (* includes subordinate legislation)*	***Reviewed since 2005?***
Major Events Act 2014	The purpose of the Act is to facilitate major events in Queensland. The Act prescribes an area, period and organiser for a major event, and prevents unauthorised commercial activities in relation to the major event.	-	
Transport and Main Roads			
State Transport (People Movers) Act 1989	The Act establishes a framework for the construction and operation of people mover systems. The Act provides for licensing and agreements for the installation of people movers as well as provisions to override local government planning schemes.	49	No
Tow Truck Act 1973	The Act was established to set standards for the crash-related towing industry within regulated areas. The Act achieves this through a licensing framework which sets storage requirements, tow truck specifications, maximum towing charges, regulated areas and the appropriate conduct of licensees.	337*	No
Transport Infrastructure Act 1994	The Act aims to provide a framework that encourages effective integrated planning and efficient management of a system of transport infrastructure. The Act establishes restrictions and requirements on the development, construction and operation of rail, roads, ports, and air transport infrastructure.	1,178*	No
Transport Operations (Marine Safety) Act 1994	The Act aims to provide a regime that achieves an appropriate balance between ensuring marine safety and enabling the further development of the Queensland maritime industry. The Act provides a licensing and accreditation system for key groups in the maritime industry including pilots, masters, ship designers, ship builders and marine surveyors.	1,350*	No

Title	***Description***	***Regulatory requirements count*** *(* includes subordinate legislation)*	***Reviewed since 2005?***
Transport Operations (Passenger Transport) Act 1994	The Act is intended to achieve the provision of the best possible public passenger transport at reasonable cost to the community and government, keeping government regulation to a minimum. The Act establishes licensing requirements for taxis, limousine services, scheduled urban bus services and school transport. Market entry restrictions apply for various public passenger services while quantitative restrictions and price controls apply regarding taxi service areas and fares.	1,255*	No. However, there have been a number of reviews, such as: • The review of long distance services in 2014 evaluated the appropriateness of government continuing to regulate certain long distance markets, resulting in some aviation routes being deregulated from 1/1/15. • There have been various reviews of the restrictions relating to taxi regulation, for example resulting in the deregulation of two taxi service areas (Bribie Island and Warwick) from 1/1/14.
Treasury			
Financial Intermediaries Act 1996	This Act provides for the regulation and statutory supervision of Cooperative Housing Societies. Regulations include the requirement of registration and regular reporting obligations.	778*	No
Queensland Competition Authority Act 1997	The Act aims to protect consumers from the misuse of market power by monopoly businesses. The Act establishes the Queensland Competition Authority with powers and functions to: • regulate third party access to infrastructure • monitor pricing practices of monopoly business activities • undertake competitive neutrality investigations • report on matters relating to competition, industry, productivity or best practice regulation as directed by the Minister.	317*	In 2010 the Access Regime was reviewed and amended as part of a national certification process. Currently the Pricing Regime is in the process of undergoing legislative changes. As part of this, the Pricing Regime was subject to a public RIS.

Title	***Description***	***Regulatory requirements count*** *(* includes subordinate legislation)*	***Reviewed since 2005?***
Motor Accident Insurance Act 1994	The Act aims to promote a viable and equitable compulsory third party (CTP) insurance system and improve the scheme of statutory insurance for uninsured and unidentified vehicles operating in Queensland. The Act imposes licensing requirements on CTP insurers and includes obligations on licensed insurers and claimants in bringing a common law action.	732*	Reviewed and amended in 2010.
Occupational Licensing National Law (Queensland) Act 2010	The Act aims to remove overlapping and inconsistent regulation between jurisdictions for the licensing of the specified occupational areas. The Act applies the Occupational Licensing National Law Act 2010 of Victoria as a law of Queensland.	207*	No. The Act is proposed to be repealed.
Superannuation (State Public Sector) Act 1990	The Act aims to provide the machinery for the establishment of a superannuation scheme for the State public sector. The Act restricts eligible superannuation schemes for public service employees.	485*	

Assistance excluded from measurement

Certain measures that provide assistance to industry have been excluded from measurement in this inquiry. These are outlined below.

Assistance provided by local governments

Assistance to industry provided or administered by Queensland local governments has been excluded from the estimates of assistance. There are also a number of Queensland Government programs that would qualify as industry assistance if the initial recipient of assistance was businesses rather than local governments.

Administered funds

Funds provided by the Australian Government through the Queensland Government are considered out-of-scope of the definition of an 'industry assistance measure'. The definition is focused on Queensland Government policy as opposed to Australian Government policy administered by the Queensland Government. Where the Queensland Government provides additional funding (is a co-contributor), then this funding might be considered industry assistance.

Some assistance measures (e.g. the Great Start Grant and the National Rental Affordability Scheme) are a result of an agreement between the Australian Government and the Queensland Government (or state governments more generally). These measures are generally included as assistance measures even though the Queensland Government may be limited in its scope to unilaterally change the policy.

Community and not-for-profit sector

Community and not-for-profit entities may include community service organisations, cultural organisations, educational organisations, employment organisations, friendly societies, health organisations, religious organisations and community sporting organisations.

Assistance provided to community and not-for-profit entities is excluded from assistance estimates. An exception is where the assistance is then provided to for-profit businesses in a way that qualifies as an industry assistance measure.

Certain transfers to the household sector

Grants or subsidies paid directly to the household sector are considered out-of-scope, except in circumstances where the financial assistance is tied to the purchase of specific goods or services not considered part of the general welfare system. For instance, funding provided to subsidise concession trips on public transport are considered out-of-scope, while subsidies provided to bus and coach companies to financially support regional coach services throughout Queensland are in-scope and have been measured as part of this inquiry.

Governments sometimes choose to support the development of an industry through subsidising household sector demand for the industry's output.

General government policy functions

While they may assist industry in general terms, general government policy development activities are excluded from the scope of the inquiry. Examples include:

- The Department of Agriculture and Fisheries (DAF) represents the agriculture industry within government policy processes. DAF's activities results in DAF expending resources (e.g. on public sector wages). The benefits to the industries represented may include, for example, reducing the burden of regulation impacting on the agricultural, forestry and fishing industries, or reducing the development impacts from other industries.

- Departments work with industry in developing strategic plans, planning frameworks and actions plans (e.g. the Broadwater Marine Project, Governing for Growth, and the Economic Directions Statement Queensland Airports 2013–2023, and regional development planning activities). To the extent that these activities support the development of the industry they provide indirect industry assistance.

Other 'core' functions of government

The Queensland Government has many policies which can have important, but indirect impacts on businesses. Many of these policies provide a benefit to industry indirectly through contributing to the 'framework conditions' within which all businesses invest and operate. Examples include: macroeconomic policies; economic, scientific and social infrastructure; institutions and property rights; and the political system. The importance of getting framework conditions 'right' can be seen in analysing the comparative performance of alternative economic systems adopted by countries. These sorts of policies are not included in assistance estimates which focus on assistance provided directly and selectively to businesses.

General infrastructure

Expenditure on general public infrastructure (e.g. roads and bridges) is out-of-scope, except where it clearly provides benefits captured by specific activities (e.g. is part of a development proposal for a new mine).

Natural disasters

The Natural Disaster Relief and Recovery Arrangements (NDRRA) is a joint Australian/state government program that provides grant and loan assistance to disaster-affected community members, small businesses, non-profit organisations, primary producers and local and state governments for the impact of defined disasters.

A natural disaster is defined under the arrangements as naturally occurring rapid onset events that cause a serious disruption to a community or region, such as a flood, bushfire, earthquake, storm, cyclone, storm surge, tornado, landslide or tsunami. Expenditure for natural disaster relief is considered out-of-scope for this inquiry.

Ineligible events defined under the NDRRA include drought, frost, heatwaves and epidemics caused by poor environmental planning, commercial development or personal intervention. The provision of assistance to businesses in relation to ineligible events is included within the scope of assistance estimates.

Research and development (R&D)

R&D funded by the Queensland Government is in-scope of the assistance estimates whether performed within Government entities or in external bodies, such as, research institutes and centres. Based on Queensland Office of Chief Scientist (QOCS) data this amounts to roughly $200 million in 2012–13.

However, not all Queensland Government-funded R&D is captured in assistance estimates. R&D is often a component of a broader program or set of functions not measured as industry assistance.

'Leveraged' R&D is also not included in assistance estimates. An example of leveraged R&D is matched funding arrangement whereby if the Queensland Government contributes a dollar then the Australian Government (or industry) also contributes funding to a R&D project. QOCS data estimates leveraged funding at $321 million in 2012–13.

Intellectual property, information and data

Access to and use of Queensland Government intellectual property can be of value to businesses. The Queensland Public Sector Intellectual Property Principles (DSITIA 2013) and Information Access and Use (IS33) Guideline (Queensland Government Chief Information Office 2012) encourage or require departments to identify and make available to the public — whether for free or through commercialisation practices — Queensland Government intellectual property. Forms of intellectual property include:

- copyright protected information (public sector information, literary and artistic works, computer programs, databases, and film and sound recordings)
- patents
- trade marks
- designs and circuit layout rights
- plant breeders rights.

Undertaking a comprehensive mapping exercise of each instance where information, data or intellectual property is provided freely to businesses, or 'underpriced', is a task much larger than practical for this inquiry. To reduce the scope of the task, departments were asked to focus on:

- information or intellectual property assets that provide a benefit to business in a very direct and tangible way. An example is the provision of geological survey data to exploration companies
- programs of expenditure or 'collections' of assets and not on cataloguing 'individual' assets (e.g. the individual assets that might be documented in the department's information or intellectual property register).

Therefore, the level of estimated assistance quite likely significantly underestimates assistance provided by public sector intellectual property, information and data.

Health and other professionals

The Queensland Government has a number of programs which involves the procurement of services from health professions (e.g. dentists and doctors) or the provision of training for specific services (e.g. legal aid lawyers). Professionals may be part of private sector practices which clearly are for-profit businesses.

The procurement of services from professionals is excluded from assistance estimates, but subsidies to professionals are included. Professions also tend to have supporting regulatory frameworks which restrict competition and are included in the inquiry's list of regulatory restrictions.

With the exclusion of assistance provided to community and not-for-profit entities, few policies were identified for health, education and training, public housing and community services and safety.

Gold Coast 2018 Commonwealth Games

Tourism and Events Queensland provides funding for the attraction of major events to Queensland. Each year a large number of events are funded. For the purpose of measuring assistance, the entire amount of funding provided to Tourism and Events Queensland is included in assistance estimates. The separate events are not individually identified and measured.

An exception is the Gold Coast 2018 Commonwealth Games. Given the scale of this event and the provision of funding in the area of $2 billion, this event is not identified in the measurement of assistance levels. The Office of Commonwealth Games Coordination for the Department of Tourism, Major Events, Small Business and Commonwealth Games is coordinating the whole-of-government service delivery for the Games.

Community sporting organisations

In principle, assistance provided to professional sporting organisations is included in-scope (e.g. through including Stadiums Queensland in assistance measurement, or if grants are provided). However, grants provided to community sporting organisations are out-of-scope.

APPENDIX D: ECONOMY-WIDE IMPACT OF BUDGET FUNDED ASSISTANCE

This appendix outlines the results of modelling undertaken on the economic impacts of Queensland Government industry assistance measures using a Queensland-focused dynamic Computable General Equilibrium (CGE) model, based on the MMRF model developed by the Centre of Policy Studies at Victoria University (Adams *et al.* 2011).

The impact of discontinuing a range of industry assistance measures is modelled. Only budgetary outlay assistance measures (expenditure measures) have been modelled (i.e. tax concessions and underpricing of assets and services are not examined). Results are presented as the difference between a main 'policy' scenario (where expenditure measures are discontinued) against a base case scenario (where those expenditure measures continue). The range of expenditure measures modelled include:

- subsidies on labour, capital, land and products
- government support for research and development
- government support for applied research and experimental development (extension)
- government support for export marketing
- government-provided systems and institutions such as coordination services
- government overhead/operating costs in running industry assistance programs.

Short-run and long-run impacts are estimated. The short run is defined as the first year the industry assistance expenditure measures are discontinued (2015–16). The long run is defined as 10 years following the discontinuation of the expenditure measures (2024–25).

Discontinuing the measures reduces government expenditure. It is assumed savings are returned to industry through reduced payroll tax rates such that there is no net impact on the government's budget.[8]

It is also assumed that labour moves between jurisdictions in response to the reduction in industry assistance – that is, the level of migration is assumed to respond to changes in employment conditions such that real after tax wages do not diverge between jurisdictions.

These two assumptions are important for determining the results. For this reason the results are tested in two alternative scenarios:

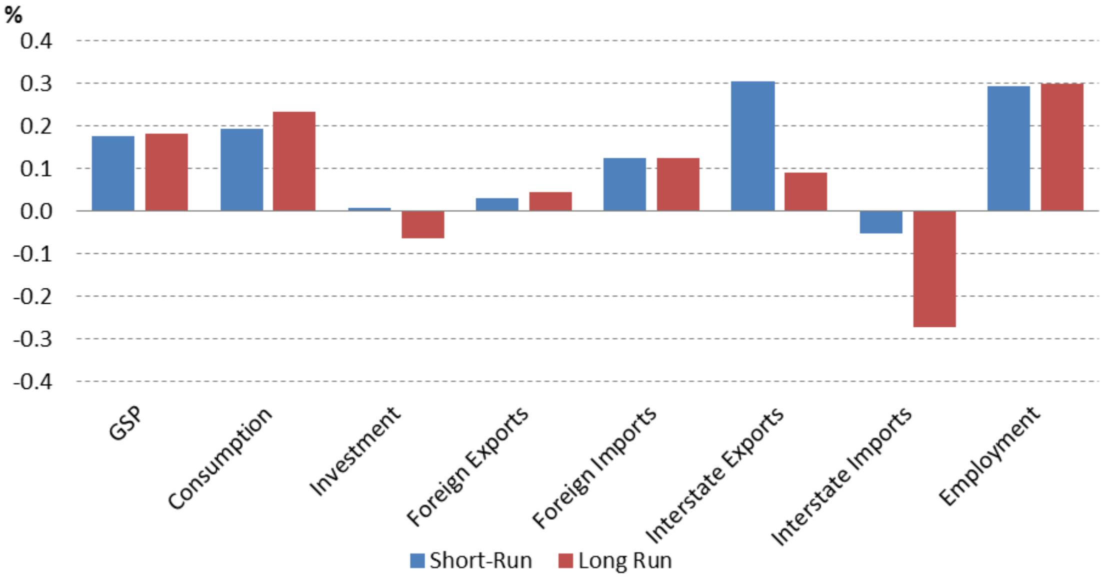
- In the first alternative scenario wage rates are allowed to diverge between regions but there is no migration of labour between regions in response to the policy changes.
- In the second alternative scenario the government savings from the discontinuation of the measures are not returned to industry (i.e. there is a positive impact on the government budget).

The macroeconomic impacts of discontinuing the expenditure measures in the main scenario relative to the base case scenario are presented in Figure D.1.[9]

[8] Note that the mechanism for returning savings to industry influences the results. For this exercise, payroll tax cuts were chosen as they are indicative of the kind of choice the government may make to return savings to industry. Had a different mechanism been used, the results would be expected to differ.

[9] Results are presented as cumulative deviations from the base case. They should not be interpreted as absolute changes. For example, if GSP were to fall by one per cent, relative to the base case by 2024-25, this

Figure D.1 Macroeconomic impacts of discontinuing the expenditure measures, main scenario (per cent change)



Source: Modelling results.

The discontinuation of industry assistance and reduction in payroll taxes causes Queensland produced goods to become more competitive relative to foreign and interstate produced goods and services. In response, producers seek to produce more of their goods and services. The economy expands and employment is drawn from the rest of Australia to allow producers to produce more goods and services.

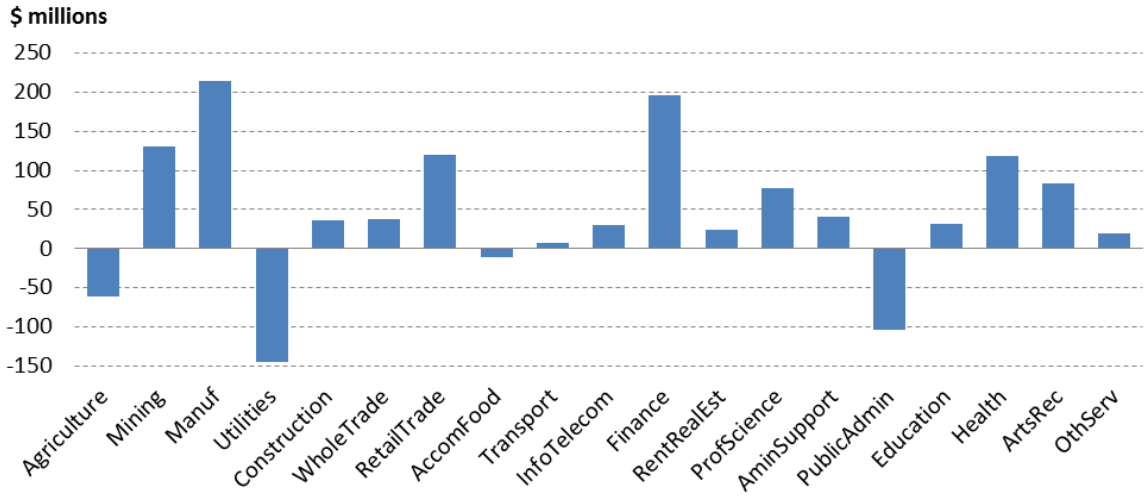
As shown, Gross State Product (GSP) is 0.18 per cent higher in the short run and long run under the policy scenario (equivalent to $590 million of GSP in the short run, in 2010–11 dollars, and $1070 million in the long run). Employment increases by 7000 people in the short run and 8700 people in the long run as labour market conditions improve in Queensland relative to the rest of Australia.

Each of the components of GSP increase, apart from interstate imports, which fall as more people migrate to Queensland to take advantage of improved employment conditions and as Queensland goods become more competitive relative to goods produced in the rest of Australia.

While the overall macroeconomic impacts are positive, impacts vary for different industries within the Queensland economy (Figure D.2).

means that GSP in 2024-25 is projected to be one per cent lower than it otherwise would have been in 2024–25. It does not represent a fall of one per cent relative to today.

Figure D.2 Industry impacts of discontinuing the expenditure measures, main scenario ($ millions value added, long run)



Source: Modelling results.

Almost all industries benefit from the discontinuation of industry assistance. The industries that benefit the most are those that that receive little industry assistance relative to their payroll tax costs and the more trade exposed industries, particularly the manufacturing and finance industries. Industries negatively impacted are those that receive a significant proportion of industry assistance relative to their payroll tax costs. These include utilities and agriculture. The public administration industry is also negatively impacted as it includes the administration of industry assistance expenditure measures.[10]

Perhaps the most important of the impacts of the policy is its effect on Queenslander's welfare (or standard of living). The results show that removing industry assistance has a small positive impact on Queenslanders' welfare. It increases welfare as measured by per capita household consumption by 0.07 per cent in both the short run and long run, equivalent to a yearly increase in consumption of $28 per person in the short run and $37 in the long run (or a yearly increase in consumption of $74 per household in the short run and $96 per household in the long run).[11]

[10] The removal of the requirement to administer industry assistance programs and policies involves a cost (the value of the administration activities no longer adds to GSP) and a benefit (those resources formerly devoted to administering the programs and policies are now available for use elsewhere, adding to GSP).

[11] Assuming a household size of 2.6 persons per household, consistent with the 2011 Census.

Introduction

The model has been used to estimate the impacts of various Queensland Government industry assistance expenditure measures. The use of a CGE model allows for the effects of policies to be translated into economic effects. It provides estimates of impacts on various macro-economic variables including GSP, consumption, investment, trade and welfare.[12] The model also provides detailed industry level results.

The impacts of policy are estimated in reference to changes occurring in the base case scenario, and are provided for the period 2014–15 to 2025–26.

Three policy scenarios are considered. In each scenario, it is assumed a range of current Queensland Government industry assistance expenditure measures are discontinued.

Discontinuing the measures reduces government expenditure. Under the main scenario, it is assumed savings are returned to industry through reduced payroll tax rates such that there is no net impact on the government's budget.

It is also assumed labour moves between jurisdictions in response to the reduction in industry assistance — that is, the level of migration is assumed to respond to changes in employment conditions such that real after tax wages do not diverge between jurisdictions.

The second and third scenarios test the results against alternative assumptions. Under the second scenario, rather than allowing labour to move between jurisdictions such that real wage rates do not diverge between jurisdictions, migration is not allowed to occur and real wages are instead allowed to diverge. Under the third scenario, the savings to government from discontinuing the expenditure measures are not returned to industry through reduced payroll tax.

The base case

The base case is a 'no-policy change' scenario, against which the impacts of a policy change can be estimated.

The base case projection used for the subsidy simulations covers the period 2014–15 to 2025–26. It incorporates expectations of future economic growth from data sources, such as, macroeconomic forecasts from the State Budget, as well as considerable industry and commodity level assumptions derived from historical data. These assumptions are discussed in more detail below (see section on Base case projections).

The base case includes industry-specific subsidy expenditure with these subsidies assumed to grow with industry level changes in economic activity.

Key policy scenario assumptions:

Factor mobility

One of the key factors that determine the projected impact from changes to state assistance is the degree to which factors of production (labour and capital) are assumed to be mobile. The modelling approach uses a recursive dynamic modelling approach which allows for the responses of economic agents (in this case, employees and the owners of capital) to respond to economic stimulus over time.

[12] Real consumption is a good measure of economic welfare since, with savings held fixed, consumption choices are made to maximise utility.

At the national level, wages are assumed to be relatively unresponsive to changes in demand in the short run, with changes to labour demand reflected in changes to unemployment. In the longer run, wages are assumed to adjust to keep employment at base case levels.

In the main scenario, labour is assumed to be mobile at the regional level (i.e. the level of migration is assumed to respond to changes in employment conditions). Labour moves such that regional real after tax wages do not diverge between Queensland and the rest of Australia.

Capital is assumed to be mobile over the long run with investment responding to changes in profitability. In the short run, capital stocks are fixed with changes in demand for capital changing the rate of return. In the long run, investment responds to the initial changes in profitability with an increase (decrease) in rates of return resulting in an increase (decrease) in investment and capital growth. Over time, rates of return converge to their long run averages.

Budget balance assumption

Under the main scenario the state budget is assumed to be balanced in absolute terms at base case levels. That is, changes to subsidies are assumed to have no impact on the budget balance. This assumption is helpful as it allows the analysis to consider the impacts of changes to subsidies with reference to how savings made from discontinuing subsidies may be returned to industry.

Budget balance conditions are achieved in the modelling by allowing payroll taxes to adjust. Savings from reductions in subsidies are used to introduce a similar dollar value reduction in payroll taxes.[13] Payroll tax rates are assumed to be adjusted uniformly across all industries with no change to the payroll tax threshold.

Savings

The modelling assumes that the savings rate of local residents is fixed, with the stock of finance available for local investment largely unresponsive to policy shocks.

Shocks

Shocks have been implemented using a similar methodology to the Productivity Commission’s modelling of state, territory and local government assistance to industry (P C 1996a).

The shocks are based on estimated, identified total level of industry assistance for budgetary outlays and based on assumptions regarding the share of industry assistance provided under different categories of expenditure measures and to which industries they are provided.

Shocks are modelled as the removal of different kinds of industry assistance to different industries.

Assumptions for each category of industry assistance

Pure and strategic basic research

All expenditure is assumed to be additional to other research and development occurring in Queensland, Australia and the rest of the world (i.e. it is assumed if Queensland Government research and development funding is cut, no other entity would step in to fund that research and development and so it would cease).

Research and development activities are assumed to have a rate of return of 50 per cent. That is, for every dollar spent, research and development returns $1.50 in net present value terms. Returns are

[13] The choice of payroll taxes as the mechanism for returning savings to industry influences the results. The results can be expected to change if an alternative mechanism is used e.g. by using an alternative tax or a costless transfer to households.

assumed to begin five years after the initial research and development activity, with benefits accruing in perpetuity.

Queensland industry is assumed to capture 85 per cent of the benefits of this research and development, with the remainder accruing to interstate rivals.

The benefits of research and development are modelled as improving multi-factor productivity (MFP) for targeted industries.

Applied research and experimental development (extension)

Expenditure is treated in the same way as basic research and development, however only 40 per cent is assumed to be additional. That is, after government ceases to fund extension activity, industry is assumed to take up some of the previously funded activity.

Extension activity is assumed to have the same rate of return as basic research and development with 85 per cent of benefits accruing to Queensland industry.

Export marketing

Export marketing activities aim to promote Queensland products in key export markets. They aim to increase foreign demand for Queensland goods and services.

The modelling is based on the assumption that export marketing activities would be undertaken by exporters if government did not fund this activity. That is, changes in government spending on export marketing are assumed to have no impact on the foreign demand[14] for Queensland goods and services.

Export marketing is treated as an explicit subsidy on exports, with changes in subsidies shifting the price of Queensland goods faced by foreigners.

Overhead (operating) costs

Overhead costs have been modelled using the same methodology as used by the Productivity Commission's modelling of state, territory and local government assistance to industry. That is, shocks are implemented as changes to state government final consumption expenditure. Overhead costs are assumed to amount to 10 per cent of total industry assistance.

While, it could be argued that the removal (or addition) of government expenditure that serves no productive purpose would be welfare enhancing (reducing), this would not be reflected in national account measures of production (GSP) or consumption. This occurs because the national accounting standards used by the Australian Bureau of Statistics (ABS) (and other statistical agencies) measure government production by the sum of inputs used (inputs = outputs). This implies that any reduction in government expenditure, even if it is unproductive, would result in a reduction in output and consumption, and by implication, GSP. Hence, the economic impacts of discontinuing industry assistance will not capture the (arguable) benefit of reducing government expenditure that has no productive purpose.

Subsidies on primary factor inputs (land, capital and labour)

Subsidies on primary factors are introduced as an explicit subsidy on the use of factor inputs.

[14] Foreign demand should not be confused with foreign exports. A reduction in foreign demand would reduce foreign exports for any given export price (in foreign dollars). A change in the export price will change foreign exports even with no shift in foreign demand.

Systems and institutions

Subsidies on systems and institutions are coordination and information services provided to business at less than full cost. These types of activities include the delivery of professional forums, supply capability assistance and programs aimed at increasing collaboration amongst private participants.

These have been modelled as subsidies on output.

Products

Subsidies on products have been modelled as subsidies on output.

Alternative scenarios

Two alternative scenarios test two of the key assumptions used in the main scenario.

A first alternative scenario incorporates an alternative assumption in regards to labour mobility. Under this scenario migration does not respond to changes in labour demand. Regional after tax wage differentials between regions are allowed to vary, with an increase in labour demand in Queensland resulting in higher real wages in Queensland relative to the rest of Australia.

A second alternative scenario tests the impact of the shock if the savings achieved by discontinuing industry assistance are not returned to industry through payroll taxes. The savings are simply assumed to be held by government with no mechanism for returning the funds into the economy.[15] Labour is also assumed to be immobile under the second alternative scenario.

Under all scenarios, a policy is introduced to remove all subsidies. The only differences relate to the labour mobility and budget balance assumptions. These differences are summarised in Table D.1.

Table D.1 Key differences between the main scenario and alternative scenarios

	Labour mobility	***Government budget balance***
Main scenario	Labour mobile with real wage rate differentials between regions fixed	Budget balanced through endogenous changes to the payroll tax rate
Alternative scenario 1	Labour immobile with real wage rate differentials allowed to diverge between regions	Budget balanced through endogenous changes to the payroll tax rate
Alternative scenario 2	Labour immobile with real wage rate differentials allowed to diverge between regions	Changes to industry assistance impact the budget. No changes to the payroll tax rate

Results

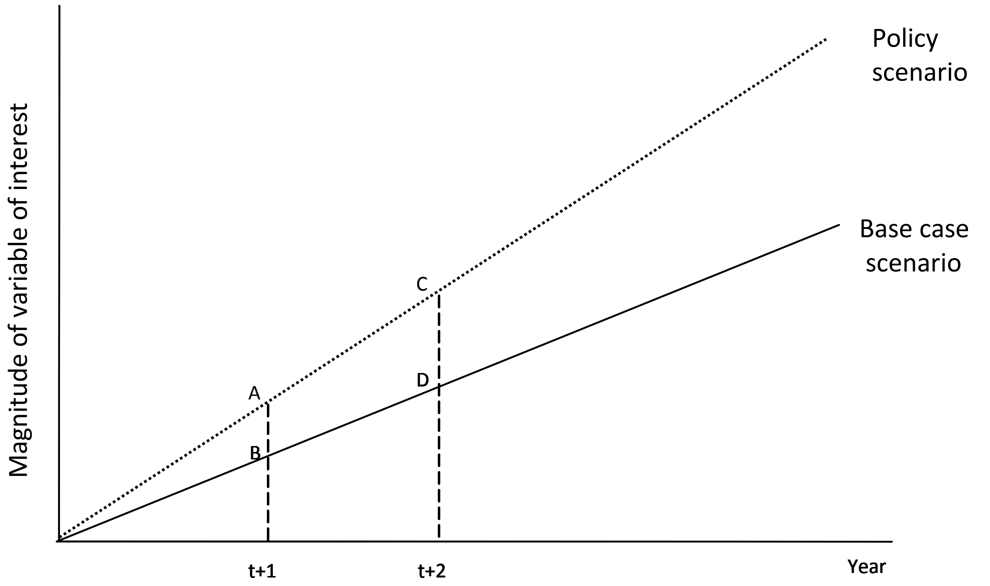
Results in the following sections are presented as short-run and long-run impacts. The short run is defined as the first year that the industry assistance expenditure measures are discontinued (i.e. 2015–16). The long run is defined as 10 years following the discontinuation of the expenditure measures (2024–25).

Results are presented as cumulative deviations from the base case. They should not be interpreted as absolute changes. For example, if GSP were to fall by five per cent, relative to the base case by 2024–25, this means that GSP in 2024–25 is projected to be five per cent lower than it otherwise would have been in 2024–25. It does not represent a fall of five per cent relative to today.

[15] While the funds are not returned to the economy, the underlying capacity of the economy to produce (i.e. the availability of factors of production and how they are applied to production) is unaffected by the availability of the funds.

This is illustrated in Figure D.3. The results are presented as the cumulative deviation from the reference case, denoted by the difference between points A and B in year t+1 and by the difference between points C and D in year t+2.

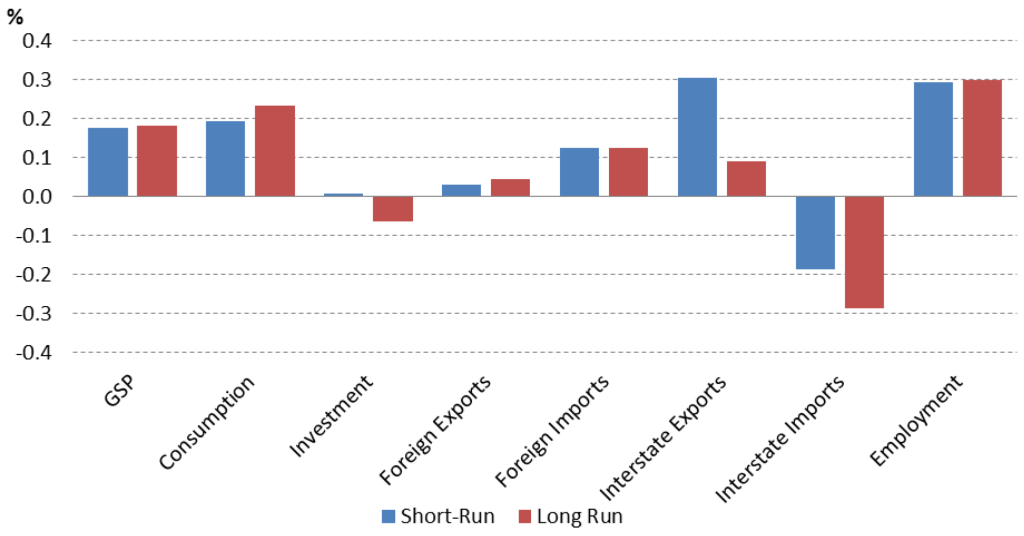
Figure D.3 Illustrative results from Computable General Equilibrium (CGE) modelling



Main scenario results

The macroeconomic results from the main scenario are presented in Figure D.4. These results are the focus of the analysis.

Figure D.4 Macroeconomic results, Queensland, main scenario (per cent change)



Source: Modelling results.

Employment and wages

Initially, the revenue from the reduction in subsidies is used to reduce payroll taxes. This reduces the effective price of labour for firms and increases demand for labour (relative to other inputs). The increased demand for labour in Queensland (relative to the base case) attracts workers to Queensland, allowing employment to increase relative to the base case. In the short run, employment increases by

0.29 per cent relative to the base case and by 0.30 per cent in the long run (equivalent to an increase of 7000 persons employed in the short run and 8700 persons in the long run).

Gross State Product

The additional employment allows extra production. GSP increases by 0.18 per cent in the short run, remaining 0.18 per cent higher than it would otherwise be in the long run (equivalent to an increase in GSP of $590 million in the short run and $1070 million in the long run, in 2010–11 dollars).

Consumption

The additional population and activity in Queensland stimulates consumption. Consumption (including household and government consumption) rises by 0.19 per cent in the short run increasing to be 0.23 per cent higher in the long run (equivalent to $500 million in the short run and $980 million in the long run). Although not shown in Figure D.4, this increase is entirely driven by household consumption, which rises because the reduction in payroll taxes increase income (via wages and higher returns to capital). Household consumption rises by 0.29 per cent in the short run ($600 million) and by 0.34 per cent in the long run ($1090 million). As a result of the discontinuation of industry assistance (reduction in research and development and extension, and operating costs) government consumption falls.

Investment

The increase in activity causes an increase in the marginal product of fixed capital, which is offset by the reduction in capital subsidies. Investment is largely unchanged in the short run, increasing by 0.01 per cent in the short run ($6 million) but falls by 0.06 per cent relative to the base case in the long run ($100 million).

Trade

The change in labour costs increases Queensland’s competitiveness relative to the rest of Australia and the rest of the world.

Accordingly, foreign exports from Queensland rise (by 0.03 per cent or $30 million in the short run and 0.04 per cent or $70 million in the long run). However, there is an overall reduction in net foreign exports due to the rise in foreign imports (which increase by 0.13 per cent or $80 million in the short run and 0.13 per cent or $220 million in the long run). The rise in imports is driven by the increase in consumption (which is relatively import-intensive).

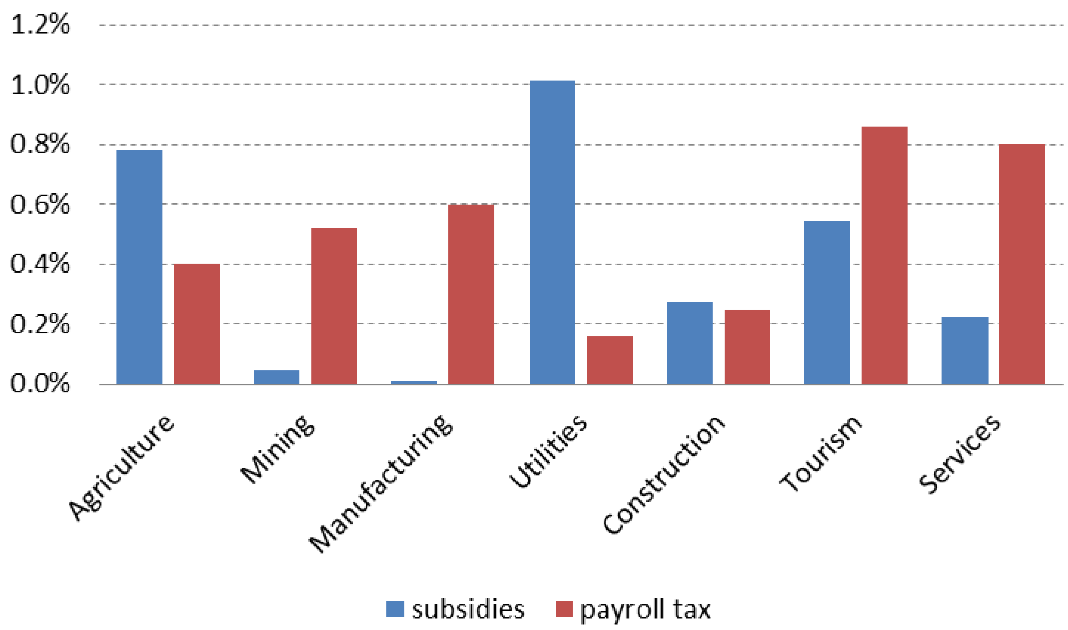
The reduction in net foreign exports is offset by a significant increase in net interstate exports, with exports rising (by 0.30 per cent or $110 million in the short run and 0.09 per cent or $50 million in the long run) and imports falling (by 0.05 per cent or $30 million in the short run and 0.27 per cent or $280 million in the long run). This result reflects not only the increase in the relative competitiveness of Queensland but also a shift in demand from the rest of Australia to Queensland as a result of the movement of workers.

Industry impacts

The main scenario involves the discontinuation of industry assistance schemes with the savings returned to industry through reductions in payroll taxes. It can be expected that those industries with a higher share of subsidies and lower share of payroll tax will benefit the least (or will be worst off). Those industries with a higher share of payroll tax and lower share of subsidies will benefit the most.

Figure D.5 shows subsidies and payroll taxes as shares of total industry costs. It shows the subsidies provide significant assistance to agriculture, utilities and tourism. Any offsetting changes to payroll taxes are likely to benefit industries that have a high share of payroll tax but a small subsidy (mining, manufacturing and services).

Figure D.5 Subsidies and payroll tax — share of total costs

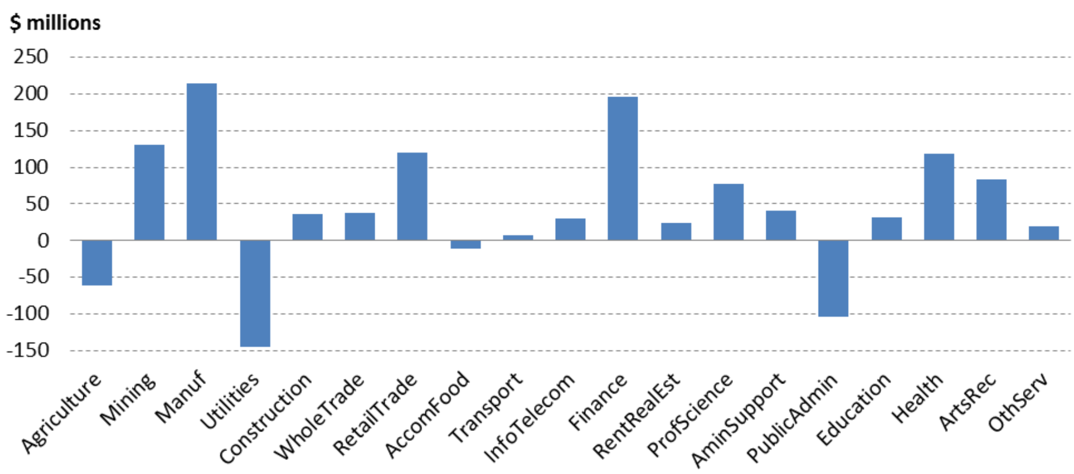


Source: QCA analysis and model database.

The results support these expectations. Agriculture and utilities, the largest beneficiaries from the subsidies, are most adversely affected. Public administration is also adversely affected, reflecting the reduction in government consumption.

Industries that benefit include those with a higher share of payroll tax relative to the subsidies or assistance they receive in the base case scenario and those that are more trade exposed (to foreign and interstate competitors), in particular the manufacturing, finance and mining industries (Figure D.6).

Figure D.6 Industry level changes to value added, main scenario ($ millions)



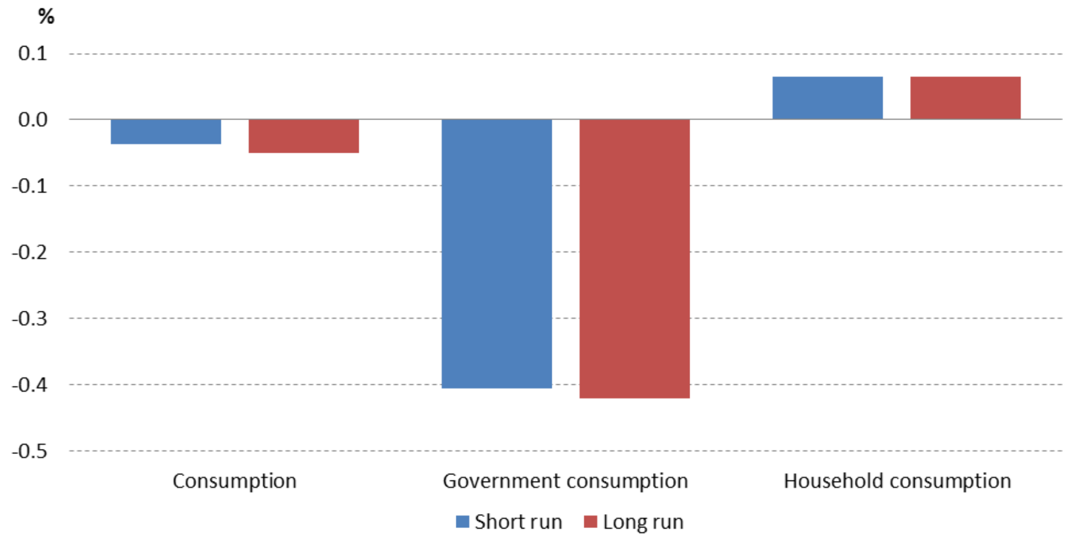
Source: Modelling results.

Impact on Queenslanders' welfare

The impact of the discontinuation of industry assistance on Queenslanders' welfare (or standard of living) can be roughly measured by the per capita impact on consumption (including household and government consumption). That is, the extent to which the modelled policy has enabled Queenslanders to consume more is an indication of whether the policy is beneficial for Queenslanders' welfare.

Figure D.7 shows that while the discontinuation of industry assistance and fall in payroll tax rates led to an overall increase in consumption, the migration of workers and their families to Queensland has meant that per capita consumption has fallen in Queensland. The fall in per capita consumption is explained by a fall in per capita government consumption, with per capita household consumption rising.

Figure D.7 Impact of the policy on per capita consumption, main scenario (per cent change)



Source: Modelling results.

The fall in per capita government consumption is driven by increased migration of workers to Queensland in response to a stronger economy combined with reduced government expenditure on overheads and research and development. As the consumption of these activities is not likely to contribute to Queenslander's welfare in the same way that other forms of government consumption do[16] (e.g. consumption of health and education services), the impact of the policy on per capita household consumption is considered a better measure of the impact on Queenslander's standards of living experienced as a result of the policy change.

There is a small positive impact on welfare as measured by per capita household consumption. Per capita household consumption increases by 0.07 per cent in the short run and long run, equivalent to a yearly increase in consumption by individual Queenslanders of $28 in the short run and $37 in the long run. On a per household basis, consumption increases by $74 in the short run and $96 in the long run, assuming a household size of 2.6 persons per household. While the increases in consumption appear modest, the benefits are yearly. On a net present value basis, household gains are significant.

Alternative scenarios

The differing impacts under alternative assumptions are analysed by considering the impact of the policy on per capita[17] household consumption and real wage rate impacts for the main scenario and two alternative scenarios. Household consumption is analysed because it is a measure of the impact on Queenslanders' welfare and real wage rates are analysed because the alternative labour market

[16] Note the discussion regarding the operating costs assumption. Negative impacts on welfare arising from reduced research and development are also captured through the shock to productivity.

[17] The use of per capita results allows the three scenarios to be more appropriately compared. Comparing overall macroeconomic results could be misleading as the alternative scenarios are constrained at a macroeconomic level by being unable to source more labour or shed labour in response to the policy.

assumptions directly affect real wages. Results for these two variables are presented in the following table.

Table D.2 Per capita household consumption and after tax real wages (per cent change)

	Household consumption per capita		*After tax real wages*	
	Short run	***Long run***	***Short run***	***Long run***
Main scenario	0.07	0.07	0.07	0.08
Alternative scenario 1	0.18	0.17	0.25	0.19
Alternative scenario 2	–0.30	–0.44	–0.45	–0.67

Source: Modelling results.

Alternative scenario 1

As shown in Table D.2, the impact on per capita household consumption is greater under alternative scenario 1 than under the main scenario. This occurs because under alternative scenario 1, labour is prevented from moving to Queensland and instead real wage rates are allowed to diverge between Queensland and the rest of Australia. Real wage rates increase by 0.25 per cent in the short run and are 0.19 per cent higher in the long run compared with increases of 0.07 per cent and 0.08 per cent under the main scenario.

The divergence in real wage rates means that incumbent Queensland residents are able to capture all of the benefits of the discontinuation of industry assistance and reduction in payroll tax rates. Under the main scenario, the increase in real wages attracts labour from the rest of Australia with the benefits of the policy being spread between the incumbent and new residents such that there is only a marginal benefit for Queensland residents overall.

The impact of the higher real wages is reflected in the greater increase in household consumption per capita, which increases by 0.18 per cent in the short run and is 0.17 per cent higher in the long run under alternative scenario 1.

Alternative scenario 2

As shown in Table D.2, per capita household consumption is lower under alternative scenario 2 than under the main scenario.

Under alternative scenario 2 the reduction in industry assistance impacts the relative competitiveness of different industries but the benefits are not returned to industry and households through lower payroll tax rates. The savings that arise from the policy are simply taken out of the economy by government and are not available for use[18]. Industry must reduce their costs in response to losing subsidies and they do this through reducing real wages. Real wages fall by 0.45 per cent in the short run and by 0.67 per cent in the long run under alternative scenario 2. The fall in real wages impacts households' budgets and so per capita household consumption falls by 0.30 per cent in the short run and by 0.44 per cent in the long run. As labour is assumed to be immobile, the costs of the policy are totally borne by incumbent Queensland residents.

The alternative scenarios assist in understanding the results of the main scenario, however they also show that use of the wrong assumptions can lead to perverse results.

[18] This assumption may be unrealistic. It can be expected that savings held by the government would be used to pay off debt or increase savings, these funds would impact the economy by freeing up funds for investment by the private sector.

In the case of the first alternative scenario, the constraint on labour migrating between regions means incumbent Queensland residents are able to capture all of the benefits of the reform. It is more realistic that labour will migrate to Queensland in order to take advantage of the improved labour market conditions available in Queensland, lowering the benefits of the reform for incumbent Queensland residents although implying benefits may be greater if all jurisdictions undertook similar reductions in industry assistance.

Alternative scenario 2 fails in not accounting for the economic impacts of where the savings accruing to government might be applied and the costs are further exacerbated in per capita terms as Queensland residents are unable to migrate in response to worsening labour market conditions in Queensland.

The Model

The model used is a Queensland-focused, recursive dynamic computable general equilibrium model. It explicitly models:

- two regions — Queensland and the rest of Australia (ROA)
- 122 commodities/industries.

Each region is modelled as a separate economy, with region-specific governments, households and industries. The behavioural rules in the model generally follow neoclassical economic assumptions. That is, markets are assumed to be competitive, markets are assumed to clear and price relativities play a key role.

At a broad level, economic growth is determined as a function of:

- population — specifically, the number of people of working age
- productivity — the average output per hour worked
- participation — the proportion of working age people engaged in the labour market and the average hours they work.

The modelling then allows for the overlay of sectoral pressures arising from changes to industry specific productivity, household composition, world demand, domestic policies and factor constraints.

The core economic data is derived from the ABS National input–output (I–O) tables, disaggregated into a Queensland and ROA CGE database.[19] The disaggregation method utilises a wide range of secondary data, including labour force, trade, manufacturing, agricultural and mining surveys, and ABS state accounts to produce state-specific economic stocks and flows.

The core accounts have been updated to 2013–14 within the model. Numerous historical data is used to generate the revised 2013–14 database, including data from the income and expenditure sides of GSP, employment, exchange rates, consumer prices and a range of industry specific data.

In addition to the core accounts, a range of supplementary data is utilised, including:

- household income accounts
- demographic and labour force data
- government financial statistics
- debt, investment and capital data

[19] For details on the disaggregation method see Horridge (2002).

- sectoral carbon and energy accounting data (derived from the National Greenhouse Inventory, ABS and BREE energy data, and various sector specific information).

The structure of an I–O table

The I–O table is a system of accounts which shows, in value terms, the supply and disposal of goods and services within the economy in a particular year. Figure D.8 provides a diagrammatic representation of the Queensland I–O table from 1996–97.[20]

Along the row of an I–O table is the sales of products to other industries for further processing (intermediate usage) or to the various categories of final demand. The columns of the table show the inputs used in an industry's production, whether they be intermediate inputs or primary inputs such as labour and capital. The table is balanced such that total inputs into each industry is equal to total outputs from each industry.

As shown in Figure D.8, quadrant 1 or the intermediate quadrant of the table, incorporating the matrix of industry rows and columns, shows all intermediate (non-final use) transactions, including industry electricity use. These transactions provide a representation of the interdependence or economic linkages between producing industries.

Quadrant 2, or the final demand quadrant, records sales of industry output to final demand, that is, the end use of goods and services. The Queensland I–O table shows sales of products to seven final demand categories including household and government consumption, exports and private and public gross fixed capital formation.

Quadrant 3, or the primary quadrant, shows payments to the factors of production, such as compensation of employees and gross operating surplus and mixed income, as well as taxes and imported inputs. Quadrant 4 records primary inputs associated with final demand (mainly taxes).

[20] While the Queensland I–O table has 122 industries, the diagram depicts only five key sectors for brevity.

Figure D.8 Diagrammatic representation of the structure of an I–O Table

From \ To		Intermediate Demand	Final Demand	Queensland Production
		Agriculture Mining Manufacturing Construction Services **Total intermediate usage**	Final Consumption: Q1 Households, Q2 Government Gross Fixed Capital Formation: Q3 Private, Q4 Public Enterprise, Q5 General Government Q6 Changes in Inventories Q7 Exports **Total Final Demand**	
Intermediate Inputs Agriculture Mining Manufacturing Construction Services **Total intermediate usage for domestic production**		Quadrant 1 Intermediate Usage	Quadrant 2 Final Demand	
Primary Inputs Compensation of employees Gross operating surplus & mixed income Taxes less subsidies on products Taxes less subsidies on production Complementary imports **Total primary inputs**	P1 P2 P3 P4 P5	Quadrant 3 Primary Inputs	Quadrant 4 Primary Inputs to Final Demand	
Imported inputs	P6			
Queensland Production				
Employment				

Base case projections

The base case projections aim to capture the level of economic growth and structural changes that may occur over coming decades. Economic growth is driven by changes in population, participation and productivity (the 3Ps Framework) and structural changes are informed by a range of factors including:

- historical analysis of changes to household preferences and technological change
- consideration of likely changes to the composition of demand as the population ages
- changes to world demand for Australian commodities
- import prices
- domestic policies to reduce greenhouse gas emissions
- changes to relative prices from sector-specific productivity changes and factor constraints
- assessment of major projects
- macro-economic forecasts, as outlined in the Queensland State Budget and Mid-Year Fiscal and Economic Review (MYFER).

The base case projections are constructed on the basis of no policy change. That is, it is assumed that current government policies will continue into the future.

Labour supply (population and participation)

The labour supply in each region is determined by:

- the working age population in each region

- the participation rate.

The working age population for each region is determined by a demographic module which provides estimates of population by single year age cohort. The demographic module is underpinned by assumptions consistent with the 2013 Queensland Government Population Projections (QGSO 2014).

Future participation rates are imposed by age, gender and state. As a result, changes in the population of each age cohort determine the overall labour force participation in each region.

National age-specific participation rates are assumed to rise slightly, particularly for older cohorts. Queensland age-specific participation rates are assumed to converge to national rates. The resulting aggregate participation rates are shown in Figure D.9.

Figure D.9 Projected participation rates, Queensland and Australia, per cent

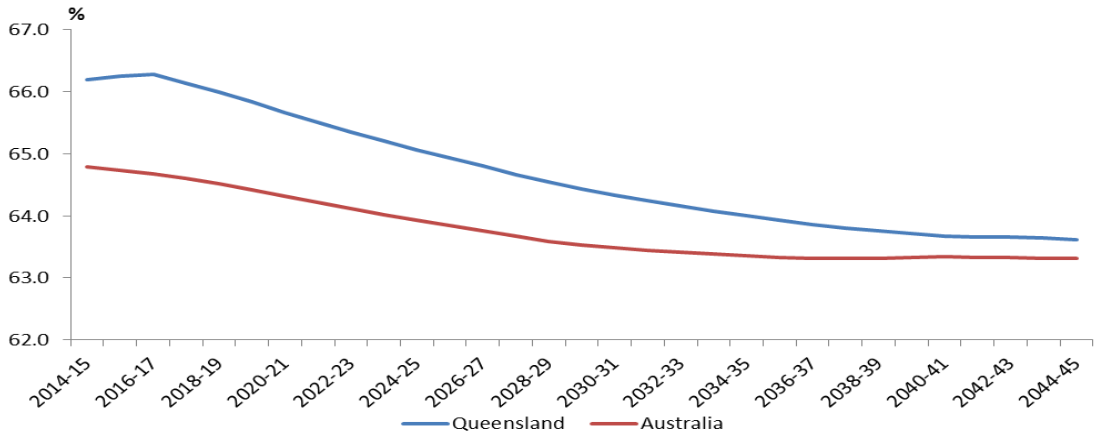


Figure D.10 shows that despite rising age-specific participation rates, overall participation rates are projected to fall. This decline is due to changes in the age structure of the population, with the proportion of the population in older age cohorts (with lower participation) expected to increase significantly over the coming decades.

Unemployment rates

Assumptions around the long term unemployment rate are based on the concept of a rate that can be sustained without generating upward pressure on inflation. This is commonly referred to as the non-accelerating-inflation rate of unemployment (NAIRU).

The NAIRU depends on a complex range of economic, demographic and institutional factors, including the way inflation expectations are formed, the wage-setting environment, the tax-transfer system, and the education and skills of people in the labour force. The NAIRU varies over time and cannot be measured directly. It is typically estimated using economic models, which provide a range of estimates with a considerable margin of imprecision around these estimates.

A constant NAIRU of five per cent at the state level is assumed in the modelling after the State Budget forward estimates period.

Productivity

Over the forward estimates period, aggregate labour productivity is consistent with that assumed in the Budget and MYFER.

Over the long run, average sector-specific labour productivity growth rates are used, with the compositional mix of industrial production determining aggregate productivity growth.

Sector-specific labour productivity is assumed to reflect recent changes and longer term historical trends. Capital deepening is modelled on the basis of relative returns to capital across industries. For market sector industries, that component of projected labour productivity that is not captured by capital deepening is assumed to be MFP arising from 'primary factor augmenting' technical change.

MFP growth for non-market industries is assumed to be zero, in line with Australian National Accounting practices. This means that productivity growth in the sectors with a high proportion of government activity, such as health care and social assistance and education and training, have very low levels of projected labour productivity growth. Labour productivity growth occurring in these sectors is completely explained by capital deepening (increased use of capital per unit of labour).

Resources sector

Developments in the resources sector have been key drivers of structural change for both the national and State economies. The modelling accounts for resource sector developments by:

- ensuring that the model's core accounts reflect current levels of investment and capital stocks
- taking into account projects under construction and considering projects likely to go ahead over the coming decade.

Short run commodity exports are consistent with those in the State Budget. After the forward estimates period, assumptions for metallurgical and thermal coal, iron ore and liquefied natural gas export volumes have been sourced from Bureau of Resources and Energy Economics (BREE 2012).

Carbon pricing

There is significant uncertainty regarding both the mechanisms and degree to which domestic and international governments will act to reduce greenhouse gas emissions.

Domestic policy action has changed substantially over the last few years, with the Australian Government recently scrapping carbon pricing and indicating they will undertake direct action to reduce emissions.

Although there is currently no agreed mechanism for global cooperation on greenhouse gas abatement, it is unlikely that Australia would continue with carbon abatement policies if the rest of the world failed to act at some time in the near future. Hence, there are two sensible options for considering long run carbon pricing:

- the rest of the world does not reach agreement on carbon pricing mechanisms and Australia ceases to actively pursue emission reduction targets, or
- the rest of the world moves towards coordinated action and Australia takes continued action to achieve emission reduction targets.

The base-line projections assume that Australia (and the world) does not actively pursue emissions reduction targets in the long run.

Global assumptions

Over the long run, global growth is determined by:

- the growth rates of countries at the frontier of production (a function of productivity, population and participation)
- the rate at which other countries per capita incomes converge with these countries.

For this modelling exercise, long run global assumptions are derived from Queensland carbon pricing modelling associated with the Garnaut Review. This modelling provides an internally consistent set of assumptions about the effect of global growth on both demand for Australian commodities and the price of foreign goods consumed in Australia.

To minimise any shortcomings of using slightly dated global modelling, the modelled global outlook is supplemented with more current commodity outlooks over the short-to medium-term based on Consensus Economics forecasts.

Household expenditure patterns

Household expenditure patterns are determined by:

- the relative prices of different goods
- household income
- consumer preferences.

The relative prices of goods and household incomes are determined within the model and reflect a wide range of economic influences such as resource constraints, the terms of trade and exchange rates, returns to land, labour and capital and redistributive policies.

Expenditure on specific goods is determined in the model such that households purchase bundles of goods which maximise a utility function subject to a budget constraint, with consideration for subsistence and supernumerary expenditures.

Household taste shifts account for any additional change in consumption patterns after accounting for changes in incomes and relative prices. Assumed changes to household tastes are based on historical decomposition analysis by the Centre of Policy Studies (Adams *et al.* 1994, Dixon & Rimmer 2002 and Giesecke 2004) and the Australian Treasury. The taste shift terms are assumed to decline to zero in a linear fashion between 2020–21 and 2050-51, reflecting uncertainty about how persistent these trends will be in the future.

Projected shifts in household consumption patterns suggest a continuation of the long-run trends, showing a declining proportion of expenditures on basic commodities (such as food and energy) and an increasing proportion of expenditures on elaborately prepared goods and services including personal services, restaurants, holidays and communication services.

The government sectors

In general, the level of government service provision is assumed to move with real household consumption. This assumption reflects the idea that, as its citizens become wealthier, there are increasing expectations regarding the quantity and quality of services provided by their governments.

Government expenditure on health-related care is also assumed to be heavily influenced by changes in the age structure of the population. Under this assumption, real expenditure on age-related health and other care increases with the proportion of the population aged 65 and over.

APPENDIX E: TOURISM SATELLITE ACCOUNT FRAMEWORK AND INPUT–OUTPUT ANALYSIS

This appendix covers:

- the Tourism Satellite Account (TSA) Framework and input-output (I–O) analysis
- the potential misuse and limitations of I–O analysis.

TSA Framework and I–O analysis

I–O analysis utilises I–O tables which describe the production and consumption interdependencies of individual industries at a regional or national level. Producers employ labour and capital, and purchase inputs from other industries or overseas to facilitate production. The goods and services produced are in turn sold to other producers as inputs and consumers, both domestically and internationally. These monetary flows are recorded in I–O tables, typically according to product and industry specifications as part of a system of national accounts (SNA) (Gretton 2013).

The I–O tables are often converted into a model of inter-industry response to changes in economic parameters through a process of matrix manipulation. This conversion enables the calculation of multipliers and estimation of the direct and indirect impacts as result of changes in demand for goods or services of a particular industry (OESR 2006b). The economic contribution and size of an industry are also estimated using the I–O tables.

In the context of tourism, measuring the industry's economic impact or significance is problematic because tourism expenditure does not exist as a distinct sector in the SNA. Many items purchased by tourists are not normally regarded as tourism exclusive products, such as clothing, footwear, cosmetics, books and electronics. Consequently, a substantial amount of tourism spending is embedded and hidden in measures for other industries within the SNA.

To address the above issue, a set of TSAs were developed to define, identify and separate out the various tourism industries or groups of producers which produce or import goods and services purchased by tourists from the SNA tables. The TSA allows the monetary flows from the tourism consumer to the producing unit or suppliers within the economy (Dwyer *et al*. 2008).

Tourism Research Australia (TRA) measures and estimates the economic contribution of tourism at a state level in Australia. The findings and methodology were published in the State Tourism Satellite Accounts (STSA) (TRA 2014).

The TSA defines and identifies the direct contribution of tourism as the contribution generated by transactions between tourists and producers which involve a direct physical or economic relationship. On the other hand, the indirect contribution of tourism captures the flow-on effects created by the requirement for inputs (from other sectors) by the tourism industry to facilitate production.

Measures of direct contribution of tourism such as tourism consumption, direct output, employment and gross value added (GVA) are estimated using the TSA. Indirect contribution due to tourism consumption such as indirect output, employment and GVA are estimated using I–O modelling techniques. As the tourism industry by nature does not have its own multiplier, the multipliers which measure the individual contribution of industries associated with supplying goods and services to tourists are used as a basis to calculate tourism's indirect effects (TRA 2014).

As discussed in Chapter 8 (Industry-specific assistance: Tourism), I–O modelling is not suitable as a tool for impact analysis as it doesn't capture the key dynamics where the tourism industry often expands at the expense of other sectors in the economy as a result of increased tourism demand. Therefore, estimates of economic impacts, specifically flow-on economic activity and employment, derived using I–O techniques are generally overinflated, often by large margins (Dwyer *et al.* 2004).

The key findings derived from STSA are summarised in Table E1. For more detailed findings, please refer to Tables E2, E3, E4 and E5.

Table E1 Economic contribution of tourism in Queensland

Tourism consumption (purchasers' price)
• $27.8 billion in 2012–13 with a compound annual growth rate (CAGR) of 0.3% compared to 2006–07 (in real terms). • On average, 73% of the consumption is fulfilled through the direct output produced by the tourism industry while the remaining 23% are leakages resulting from imports, commodity taxes and associated wholesale, retail and transport margins. • TRA noted that the decline of consumption in Queensland between 2006–07 to 2010–11 could be attributed to the substitution effect (whereby tourists substitute their travel to Queensland for travel elsewhere or on other goods and services) as a result of the mining boom. The mining boom increased the demand for, and caused a shortage of, accommodation and air transportation.
Tourism output
Tourism consumption generated: • a total output of $45.4 billion in 2012–13 from the entire economy with a CAGR of 0.3% compared to 2006–07 (in real terms) • a direct output of $20.2 billion in 2012–13 from the tourism industry with a CAGR of 0.6% compared to 2006–07 (in real terms) • an Indirect output of $25.2 billion in 2012–13 from other sectors with a CAGR of 0.1% compared to 2006–07 (in real terms).
Tourism employment
• Tourism output generated a total employment[21] of 241,000 in 2012–13 with a CAGR of 1.4% compared to 2006–07. • Direct output generated an employment of 140,000 in the tourism industry with a CAGR of 1% compared to 2006–07. • Indirect output generated an employment of 101,000 in other sectors of the economy with a CAGR of 2.2% compared to 2006–07.
Tourism gross value added (GVA)
Tourism consumption generated: • a total GVA of $20.4 billion in 2012–13 with CAGR of 0.8% compared to 2006–07 (in real terms) • a direct GVA of $10 billion in 2012–13 with a CAGR of 1.4 % compared to 2006–07 (in real terms) • an Indirect GVA of $10.4 billion in 2012–13 with a CAGR of 0.1% compared to 2006–07 (in real terms).
Tourism gross state product (GSP)
Tourism consumption generated: • a total GSP of $23 billion in 2012–13 with CAGR of 0.8% compared to 2006–07 (in real terms) • a direct GSP of $12 billion in 2012–13 with CAGR of 1.3% compared to 2006–07 (in real terms) • an indirect GSP of $10.9 billion in 2012–13 with CAGR of 0.3% compared to 2006–07 (in real terms).

[21] Employment is defined under the STSA as a person aged 15 years or over who during the reference week worked for one hour or more for pay, profit, commission or payment in kind in a job or business or on a farm, or worked for one hour or more without pay in a family business or on a farm.

Table E2 Tourism consumption and output in Queensland

A	B	C	D	E	F	G	H
Year	*Tourism consumption at purchasers' prices (real 2012–13 $ billions)*	*Tourism output (real 2012–13 $ billions)*			*Leakages (resulting from imports or commodity taxes)*		*Total output multiplier (in response to Δ in tourism consumption (basic prices))*
		Direct	*Indirect*	*Total*	*Total (real 2012–13 $ billions)*	*Share of tourism consumption (%)*	
				C+D	*B-C*	*F/B*100*	
2006–07	27.1	19.4	25.1	44.5	7.7	28%	1.9
2007–08	27.7	20.0	25.3	45.3	7.7	28%	1.9
2008–09	26.5	19.1	23.9	43.0	7.4	28%	1.9
2009–10	25.8	18.8	23.5	42.3	7.0	27%	1.9
2010–11	24.3	18.0	22.2	40.2	6.3	26%	1.9
2011–12	27.2	19.8	24.6	44.5	7.4	27%	1.9
2012–13	27.8	20.2	25.2	45.4	7.5	27%	1.9

Note: Totals may not add due to rounding.

Source: TRA (2014).

Table E3 Tourism gross value added and gross state product in Queensland

Year	*Gross value added (real 2012–13 $ billions)*			*Gross state product (real 2012–13 $ billions)*		
	Direct	*Indirect*	*Total*	*Direct*	*Indirect*	*Total*
2006–07	9.0	10.3	19.4	10.0	11.8	21.8
2007–08	9.5	10.5	20.0	10.5	11.9	22.4
2008–09	9.3	9.9	19.1	10.2	11.3	21.4
2009–10	9.2	9.7	18.9	10.1	11.2	21.3
2010–11	8.8	9.2	18.0	9.7	10.5	20.2
2011–12	9.8	10.2	20.0	10.7	11.8	22.5
2012–13	10.0	10.4	20.4	10.9	12.0	23.0

Note: Totals may not add due to rounding.

Source: TRA (2014).

Table E4 Compound annual growth rate (CAGR) of tourism indicators in Queensland

Tourism indicator	*CAGR (%) at 2012–13 compared to 2006–07 (in real terms)*
Consumption at purchasers' prices	0.3%
Total output	0.3%
Direct output	0.6%
Indirect output	0.1%
Total GVA	0.8%
Direct GVA	1.4%
Indirect GVA	0.1%
Total GSP	0.8%
Direct GSP	1.3%
Indirect GSP	0.3%

Source: TRA (2014).

Table E5 Consumer price indices (CPI) used to convert nominal to real values

Financial Year	*ABS Quarter*	*Price Index*	*Reindex to 2012–13*	*Decimal form*
2006–07	Jun-2007	87.7	85.3	0.85
2007–08	Jun-2008	91.6	89.1	0.89
2008–09	Jun-2009	92.9	90.4	0.90
2009–10	Jun-2010	95.8	93.2	0.93
2010–11	Jun-2011	99.2	96.5	0.96
2011–12	Jun-2012	100.4	97.7	0.98
2012–13	Jun-2013	102.8	100.0	1.00

Note: ABS reports its CPI quarterly and the CPI reported for the final quarter of a year is used to approximate the CPI for a particular financial year.

Source: ABS (2014b).

Box E1 Tourism consumption, output, gross value added and multipliers

Tourism consumption at purchasers' and basic prices

Tourism consumption (expenditure) represents the demand for tourism and is usually measured in purchasers' prices, namely the price paid by tourists. However not all of this expenditure by tourists is received by domestic tourism producers as part of this payment is:

- paid for imports to facilitate the production of goods and services
- the net commodity taxes paid to the government
- the associated wholesale, retail and transports margins required to facilitate the transfer of goods and services from producers to tourists.

The part of payment received by domestic tourism producers is known as the consumption measured in basic prices (sometimes referred to as farmgate prices or factory prices).

Tourism direct, indirect output and leakages

Direct tourism output measures how much tourism consumption is satisfied by the domestic industry. Output is often less than tourism consumption at purchasers' price due to leakages such as imports, commodity taxes and any associated wholesale, retail and transport margins required to facilitate the transfer of goods and services from producers to tourists.

Tourism consumption at basic prices is equivalent to the direct tourism output as this is the part of the tourism demand satisfied by the domestic industry's production.

Besides contributing to the output of the tourism industry, tourism expenditure also induces flow-on (indirect) economic activities in other sectors. The indirect tourism output captures these flow-on effects created by the need for inputs from other sectors of the tourism industry to produce and supply goods and services to tourists.

To estimate the indirect output due to tourism expenditure accurately, it is necessary to use tourism consumption at basic prices. Flow-on effects calculated using tourism consumption at purchasers' price will overestimate the effects since values not related to domestic production (such as imports) are included.

Tourism direct and indirect gross value added

GVA is considered the most accurate measure of the economic contribution of an industry as it captures the value added of output after deducting the costs of inputs in the production process. It includes the total labour income and capital revenue received by an industry as well as the net taxes on production the government receives.

Direct and indirect GVA are estimated separately from the direct tourism output using the TSA framework and indirect tourism output using the I–O modelling respectively. Direct GVA measures the value added of production contributed by the tourism industry, while indirect GVA measures the value added contributed by other sectors as a result of the flow-on effects. Direct and indirect GVA combined provides an estimate of total tourism GVA.

Tourism direct and indirect gross state product

Tourism GSP measures the tourism GVA plus net taxes on products attributable to the tourism industry. Direct and indirect GSP are measured separately using the TSA framework and I–O techniques respectively. Direct and indirect GSP combined provides an estimate of total tourism GSP.

Output multipliers of tourism

The output multipliers measure the average changes in output (direct, indirect or total) resulting from a $1 increase in tourism consumption measured in basic prices. Output multipliers provide greatly inflated estimates as they effectively double-count the value of expansion in production as a result of increased tourism expenditure. Value added multipliers provide a more accurate result relative to output multipliers as the former only measure the value added of production resulting from changes in tourism consumption.

Sources: Jago & Dwyer (2006); TRA (2014)

Misuse and limitation of I–O analysis

The most common technique employed to quantify the economic impacts of changes in tourism demand is input-output (I–O) analysis. This type of analysis is often used to estimate the changes in output of the tourism industry (direct impacts) and its flow-on (indirect) economic activity in other sectors as a result of changes in tourism spending (Dwyer *et al.* 2004).

Multipliers are derived using I–O techniques to estimate the output, employment and income effects of additional tourism spending. I–O techniques are also used to estimate the economic contribution of tourism to regions within a countries (Dwyer *et al.* 2004).

I–O analysis and its multipliers are often used to justify calls for providing taxpayer funded industry assistance to a particular sector (Gretton 2013). In the context of tourism, tourism's indirect impact in other sectors and its associated multipliers are used to support the case for assistance to the tourism industry. Should the assistance be effective in inducing additional tourism expenditure, it will generate benefits to non-tourism related taxpayers through flow-on economic activities.

A specific example of the use of I–O techniques and its multipliers is the analysis conducted by the TRA to highlight the broader relative contribution of the tourism industry to the Australian economy.

> *Using this methodology, tourism's output multiplier for 2011–12 is valued at 1.88, which means for every dollar tourism earns directly in the Australian economy, it value adds an additional 88 cents to other parts of the economy. At 1.88, tourism's multiplier is larger than Mining (1.62), Retail trade (1.74) and Education and training (1.44).*
>
> *When applying both multipliers, a one per cent increase of tourism direct consumption expenditure of $91 billion ($910 million or one per cent of total) in 2011–12, generated an output of $814 million (in nominal terms) outside tourism and increased employment of 2,871 persons outside tourism. (TRA 2013 p. 20)*

Using I–O techniques, Queensland's tourism total output multiplier at 2012–13 is valued at 1.9. Tourism generated direct employment[22] of 140,000 in the tourism sector and indirect employment of 101,000 in other sectors of the economy (TRA 2014).

Applying the approach in the above example implies that for every additional dollar the tourism sector earns in Queensland, it generates an additional 90 cents in other sectors within the economy. A one

[22] Employment is defined under the STSA as a person aged 15 years or over who during the reference week worked for one hour or more for pay, profit, commission or payment in kind in a job or business or on a farm, or worked for one hour or more without pay in a family business or on a farm.

percent increase in tourism consumption (basic prices[23]) of $240 million in 2012–13, generated an indirect output of $215 million and increased indirect employment by 1010 persons in non-tourism sectors within the economy (TRA 2014).

Output multipliers and double counting

Output multipliers provide greatly inflated estimates as they effectively double-count the value of expansion of production as a result of increased tourism expenditure. This is because output multipliers measure the total change in production of all industries rather than the increase in value added of all industries, due to changes in demand (WA Department of Treasury and Finance 2002).

A simple example can illustrate this point. In the production of bread sold to tourists, grain is converted to flour, which is then combined with other ingredients to be baked into bread by a baker. Output multipliers measure the value of the final output (bread) as a sum of the value of the output at the grain stage, flour stage and bread stage. Adopting this approach results in the value of grain being counted three times at the first till third stages of production and the value of flour being counted twice at the second and third stages. On the other hand, value added multipliers measure the value of the grain produced at the first stage, the value added from converting grain to flour at the second stage and the value added due to combining flour and other ingredients to produce bread in the third stage. Therefore value added multipliers provide a more accurate result relative to output multipliers.

Shortcomings of input–output techniques as a tool for impact analysis

More importantly, the above analysis adopted by TRA assumes that the average relationships between outputs, inputs, income and employment in the I–O tables apply to a marginal change. In this case, tourism's indirect contribution and multipliers are used to infer the impact of a marginal increase in tourism expenditure.

For the above conjecture to hold, a series of restrictive assumptions on the industry and economic structure are required. These assumptions include the availability of unlimited factors of production such as labour, capital or land in fixed prices as well as production processes which exhibit constant returns to scale with fixed input mix (Gretton 2013).

The assumptions underpinning the concept where average input-output relationships apply to a marginal change often do not hold in practice. This is because the key mechanisms which determine the nature and size of the economic impacts from increased tourism demand such as factor supply constraints, exchange rate regime, and government fiscal policy render these assumptions invalid (Dwyer *et al.* 2004).

The I–O model and its multipliers cannot capture the potential dynamics resulting from the above mentioned mechanisms as it:

- implicitly assumes that there is no factor supply constraints limiting the capacity of the tourism industry and government to expand production to meet additional demand of tourists.
- contains no price mechanism, therefore it cannot capture the price/cost effects of increased demand for factors of production and consequently higher prices of goods and services.
- contains no mechanism to allow for changes in production input mix due to price induced substitution between factors as a result of the constant technical coefficients used.

[23] Basic prices (also known as farm gate prices or factory prices) refer to the part of the payment received by domestic producers after excluding additional costs such as imports, net commodity taxes and the associated wholesale, retail and transport margins required to facilitate the transfer of goods and services.

- does not allow for budget constraints of consumers and producers as it assumes that consumption induced effects are not subject to budget constraints.
- does not allow for purchasers' response to changes in income or relative prices. It assumes that households consume goods and services in exact proportion to their initial budget share even with changes in income or relative prices. This assumption is also applicable to industrial consumption of inputs and factors of production.
- Does not allow for the effects of balance of payments, exchange rates, fiscal policy and government budget constraints (ABS 2013a, Dwyer *et al.* 2004).

Effectively, the only circumstances under which the measured change in economic activity (GSP or employment) using I–O models would equal the actual net change in activity would be when all resources, such as labour, natural resources and capital equipment, would have been unemployed and available in the absence of tourism expenditure.

I–O techniques do not capture the key dynamics where the tourism industry often expands at the expense of other sectors in the economy as a result of increased tourism demand. As a consequence, estimates of economic impacts using I–O techniques, specifically flow-on economic activity and employment, are generally overinflated, very often by large margins. In fact, these estimates may even get the direction of change wrong (Dwyer *et al.* 2004).

An alternative for impact analysis

As an alternative approach to I–O models, computable general equilibrium (CGE) modelling is generally regarded as a better analytical tool to estimate economic impacts as it allows for the inclusion of constraints and mechanisms absent from I–O models. In addition to I–O tables, CGE models incorporate a price mechanism and recognise factor supply constraints through modelling markets for labour, capital and land, as well as goods and services. These models also allow for a foreign exchange market and government spending and taxation (Dwyer *et al.* 2004).

Dwyer *et al.* (2004) estimated the economic impacts of increased tourism expenditure in New South Wales (NSW) using a multi-regional CGE model. Their findings indicate that, in the long run:

- increased expenditure from international tourism results in a positive growth in output and employment in tourism characteristic[24] and connected[25] industries in NSW such as air transport, hotel, cultural/recreation and retail trade. This is at the expense of decline output and employment in other sectors in NSW or rest of Australia (RoA) such as water transport, metal products, oil, aluminium magnesium and chemical
- increased expenditure from interstate or intrastate tourism (irrespective of whether it is a substitute for other forms of tourism or other goods and services) results in a positive growth in output and employment in tourism industries in NSW such as hotels, motor vehicle hiring and retail trade. This is at the expense of declining output and employment in the tourism and other sectors such as hotels and water transport in RoA and insurance and air transport in NSW.

The above results reflect the particular industry structure of NSW and RoA. They also depend on the particular assumptions about labour and capital markets, exchange rate movements and fiscal policy.

[24] Tourism characteristic industries are defined under the TSA framework as industries that would either cease to exist in their present form or significantly affected if tourism were to cease.

[25] Tourism connected industries are defined under the TSA framework as industries (other than tourism characteristic industries) which produce a tourism connected product, where the products are consumed by tourists in volumes which are significant to the tourist and/or the producer.

Dwyer *et al.* (2004) noted that more detailed analysis of the industry effects is needed and the assumptions used to generate these results should be subject to critical examination.

However, it is clear that the use of I–O techniques to estimate the effect of increased tourism demand would ignore the adverse output and employment impacts on other industries and therefore provide an incomplete and misleading picture of the impacts of additional tourism consumption.

Given the different industrial composition of other states, these results cannot be generalised in any simple manner. However, the results have general significance. They reinforce the fact that in economies with factor constraints, an expanding tourism industry is likely to do so at the expense of other sectors of the economy.

APPENDIX F: ANALYSIS OF TAX CONCESSIONS

The impact of industry assistance provided through tax concessions cannot be properly evaluated without considering the costs and incidence of taxes. This appendix discusses how various approaches to taxation impact households and businesses. It then analyses the individual tax concessions applying under land tax, payroll tax, gambling tax and duties.

The costs of taxation

The costs of taxation include:

- tax administration costs
- business compliance costs
- reductions in economic efficiency - the deadweight costs of taxation
- other costs, such as, enforcement costs and rent-seeking costs in resources spent by individuals and businesses lobbying politicians and the bureaucracy to avoid tax.

Administration and business compliance costs

While tax compliance and business administration costs are often seen as a cost to business or government, these costs are ultimately borne by individuals. As with the underlying taxes, compliance costs can be shifted to consumers or employees. The costs of administering the tax system add to the amount of revenue that must be raised to meet government expenditure requirements.

The Australian Government's discussion paper on tax reform shows a significant increase in the costs of complying with the tax system from 1998–99 to 2009–10:

> *As the system becomes more complex, interactions between different parts of the tax law can create unintended incentives or disincentives that may be inconsistent with good policy outcomes. Confronted with this complexity and the opportunities it creates, taxpayers who can afford it are more likely to seek expert assistance to manage their tax affairs.*
>
> *The complexity of the tax system also makes it less transparent. It can conceal special treatments that result in taxpayers in similar circumstances receiving very different tax outcomes, and can mask effective tax rates. This can adversely affect voluntary compliance. Researchers have consistently found that perceived unfairness in the tax system reduces taxpayers' willingness to comply. (Australian Government the Treasury 2015b, pp. 169–70)*

These findings are consistent with the available, but limited, literature on tax administration and business compliance costs. The literature indicates that compliance costs are significant, regressive (meaning that they are proportionately higher for small businesses than for larger businesses) and appeared not to be declining despite reform efforts (Box F.1).

Box F.1 Compliance costs are high, significant, regressive and not declining

According to the principle of simplicity, a tax ought to be easy and relatively inexpensive to comply with and administer. A simple tax makes it easier for people to understand their obligations and entitlements, and thus reduces the compliance costs imposed on taxpayers and the administrative costs on governments. Until recent times, the operating costs (administration and compliance) of taxation have received far less scholarly attention compared to efficiency costs. This is especially true for Australia, with no significant studies on operating costs published prior to 1990. However throughout the recent literature, a set of findings have become broadly accepted. Namely, compliance costs are high and significant, compliance costs are regressive and compliance costs are not reducing over time.

Compliance costs tend to be more significant for the main central government taxes such as personal income tax, goods and services tax (GST) and corporate income tax, while compliance costs for property taxes and excise taxes are comparatively low. Overall, the studies suggest that compliance costs are much more significant than administrative costs, with compliance costs typically being larger by a factor of two to six.

The regressive nature of compliance costs is due to the significant economies of scale enjoyed by larger firms in managing tax compliance, and the somewhat fixed nature of compliance costs. Small businesses face substantial learning and set up (of compliance systems) costs in identifying tax liability, and may not be able to amortise this cost across multiple transactions as a large firm could. In addition, large firms are better able to maintain a high level of tax compliance expertise in-house, while small businesses may need to engage external consultants. In 1994–95 the compliance cost per dollar of turnover for small businesses were 25 times greater than their medium sized counterparts. The regressiveness of compliance costs was further demonstrated by a report by the European Commission in 2004, which found that compliance costs for large companies (250 employees or more) were 0.02 per cent of sales and 2 per cent of total tax paid, while for small and medium sized businesses (less than 250 employees), compliance costs were 2.6 per cent of sales and 31 per cent of total tax paid.

The final point of consensus in the literature is that compliance costs are persistent and not declining over time, despite attempts by governments to reduce the burden faced by taxpayers. However, there is some evidence that the simplified electronic payments may have reduced compliance costs.

Sources: Synergies Economic Consulting (2014); Evans (2006), European Commission (2004); and Australian Government the Treasury (2015b).

The Henry Tax Review noted that there is a strong sense in the community that compliance costs are too high (Box F.2). A 2015 survey of Queensland businesses found that 77 per cent of SMEs considered that the complexity of the tax system was a significant barrier to operating a small business (CCIQ 2015).

Box F.2 Complexities and operating costs of the tax-transfer system

There are no reliable estimates of the complexity or operating costs of the tax-transfer system but there is a strong sense in the community that they are too high.

An excessive level of complexity impedes the ability of taxpayers and transfer recipients to make optimal decisions, diverts resources from more valuable uses, and gives rise to planning opportunities that undermine the fairness of the system. Its impact tends to be greatest on those with the least capacity to deal with it.

A certain level of complexity and operating costs is required to implement the tax-transfer system in a manner that is efficient and equitable. However, at some point, equity or efficiency is likely to be compromised by increasing complexity.

Current levels of complexity and operating costs are most likely above the optimal level for society as a whole. Two important reasons for this are: incremental development of tax-transfer policy based on partial assessments of the associated benefits and costs; and income maximising behaviour through the tax-transfer system. Broader reform provides an opportunity to take a systemic view of the trade-offs between simplicity and other policy objectives.

Source: Henry et al. (2008, p. 305).

Compliance cost drivers

There are two broad factors that drive the level of compliance costs in a taxation system:

- *change*: frequent changes in existing legislation or the introduction of new legislation places significant transitionary learning costs on those liable to pay the tax
- *complexity*: complexity involves the comprehensibility, interpretation and application, and required record keeping and form filling of a taxation system (Evans 2006, p. 10).

Gabbitas and Eldridge (1998) offered a number of factors which affect compliance costs, most of which fall under the category of complexity. The report stated that compliance costs are higher:

- where taxpayers are required to fill out a return as opposed to paying an assessment
- when payment is more frequent (monthly versus quarterly)
- where modification of record keeping procedures is required to comply with the tax
- where the definitions for tax purposes differ between States or those used by the Commonwealth.

The Board of Taxation (2007) considered that the main causes of compliance costs are:

- the sheer volume, complexity and pace of change of legislation
- the increasing complexity involved in operating a business
- the existence of small business concessions and other incentives which increase complexity
- poor regulatory design and lack of robust consultation processes can result in unnecessarily complex law
- regulatory overlaps and inconsistencies between jurisdictions.

The deadweight costs of taxation

Taxation alters the prices of goods and services as well as the prices of inputs to production (e.g. capital, labour and land). Price changes influence the purchasing and supplying decisions of households, domestic businesses and the foreign sector:

- households may change their level of consumption, what goods and services they spend their money on and/or the amount that they choose to work versus time taken in leisure
- businesses may change what they produce and/or how they produce it, for example, whether they employ more labour or invest in labour saving technologies
- foreign businesses and consumers may demand less of Australia's exports or supply Australia with fewer imports (KPMG EconTech 2010).

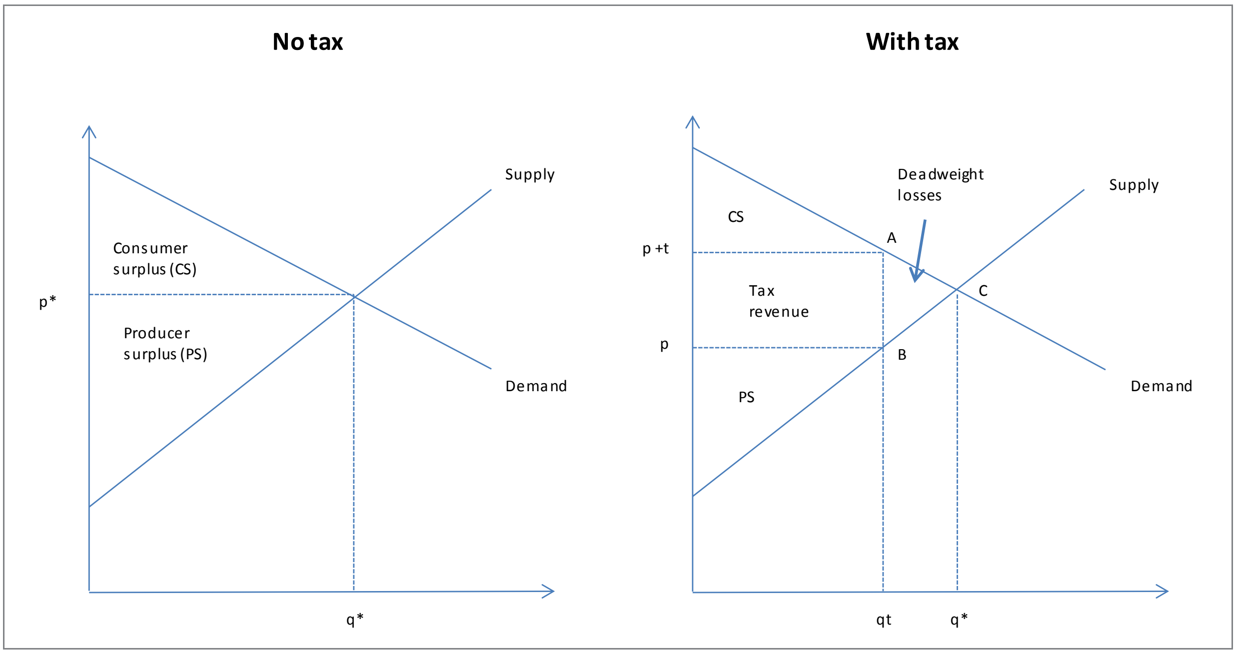
Tax-induced price increases have efficiency consequences:

> *Taxes change the prices that consumers or businesses face. But a price change is not the source of the efficiency cost of a tax. The efficiency cost depends on whether people change their behaviour in response to the change in price. For example, the measure of the inefficiency of a labour tax is not how much it raises the wage cost to firms, but how many workers are not employed as a result. That is, the cost to society is the value of the activity deterred by the tax. (Henry et al. 2009b, p. 247)*

The costs of taxation are referred to as the deadweight losses, excess or efficiency burdens of taxation. Taxation puts a wedge between the cost of supplying a product and the price of the product. In Figure F.1 buyers pay a price of (p+t) while sellers receive a price of (p). At the higher price, less of the product is demanded (quantity is reduced from q* to qt), reducing both consumer and producer surpluses.

The deadweight losses (triangle ABC) are the result of the fact that the loss to consumers and producers is greater than the revenue collected by the tax. Even if all tax revenue is returned to individuals, society as a whole is worse off.

Figure F.1 The excess burdens of a tax



The losses are welfare losses and not transfers between producers, consumers and/or government (through tax collections).

The size of the deadweight losses is equal to half the square of the relevant change in price, times the relevant elasticity, times output (quantity).

Determinants of the size of the deadweight losses

The magnitude of the deadweight losses from taxation are driven by the rate of the tax, the slope of the demand and supply curves (their elasticities), and the uniformity of the tax:

- *Rate of the tax*: the rate of the tax determines the wedge between the price (without tax) and the price (with tax). It determines how far along the demand curve the new equilibrium contracts (moves along the demand curve leftwards).
- *Slope of the demand and supply curves*: the slope of the demand and supply curves captures the responsiveness (in terms of quantity demanded or supplied) of agents to changes in price (in percentage change terms, this is referred to as the elasticity of, for example, labour supply, labour demand, or demand for a product).

  Where behavioural responses are more sensitive to changes in price, the deadweight losses of a tax, or changes in a tax, are greater, because, for a given change in price, the degree to which quantity demand changes is greater. Distortionary effects and, therefore, efficiency losses, are least where demand/supply is highly inelastic, for example, in the case of demand for cigarettes and tobacco.
- *Uniformity of the tax*: the characteristics of the tax in its implementation will also impact on the deadweight costs of the tax. For example, a potentially efficient tax may be implemented in a non-uniform way that narrows the tax base distorting resource allocation between products (e.g. where certain food items are exempt from a tax where others are not), or between businesses (e.g. where certain businesses are exempt from a tax while others are not, perhaps based on the size of the business). 'Uniformity' refers to the uniform treatment of products, factor inputs, consumers and/or businesses.

The excess burden of a tax is likely to be higher where a tax is applied to a highly mobile tax base - businesses and consumers are highly responsive to price changes - as the tax base is likely to shrink. A narrow tax base also increases the excess burden because it increases the scope for businesses and consumers to respond to a tax by shifting to untaxed close substitutes. Such shifts add to economic inefficiency and reduce the revenues a tax will generate.

Estimates of the efficiency burdens of Australian Government and state taxes

Indicators of the burden of taxation

The deadweight cost of taxation can be measured in total (as an average) or at the margin:

- The average excess burden of a tax (AEB) is the total welfare loss from imposing the tax expressed as a proportion of the total revenue raised by the tax.
- The marginal excess burden of a tax (MEB) is the additional welfare loss imposed by increasing a particular tax a small amount divided by the change in government revenue (MEB = (Δwelfare / Δtax revenue)).[26] The MEB is sometimes referred to as the Marginal Cost of Public Funds (MCF).

The MEB is useful for considering the impacts of altering existing taxes by a small amount, and comparing the marginal efficiency losses from alternative revenue sources when there is a need for government to raise additional revenues:

> *Most changes in economic policy are incremental. Taxes are usually increased or reduced incrementally, and each proposal for additional government spending or cutbacks is often small compared to the overall size of the budget and economic activity. Thus, the pure economic costs of raising a tax incrementally (or the benefits of reducing taxes or government spending incrementally) should be of great interest to practitioners and policymakers. Comparisons of these costs for different taxes should also be widely publicised so that taxpayers can observe exactly how much private surplus is destroyed when the last dollar of tax revenue is raised by the government, and how much better off they would be if governments at all levels reduced their voracious appetites for spending more. (Robson 2007, pp. 16–7)*

[26] See KMPG EconTech (2010) and Gabbitas & Owen (1998) for a discussion.

> *While tax revenues may be spent by government on beneficial uses, these benefits have to be weighed against the deadweight losses incurred as a result of levying the tax in the first place. This is rarely done, and there are no official published estimates of deadweight costs…Any proposed spending that does not provide a higher percentage return than the marginal cost of raising the extra revenue cannot be justified in economic terms. New Zealand research estimates that it costs between $1.18 and $2.46 to raise an additional dollar of personal tax. To be economically justified, the last dollar of government spending should therefore generate a return of at least 18 per cent, net of any additional administrative or production costs. It is doubtful whether many projects would pass this benchmark test. (Robson 2007, p. xi)*

Estimates of the magnitude of the burdens

KPMG EconTech (2010) prepared estimates of the marginal excess burden of Australian taxes as an input to *Australia's Future Tax System* (the 'Henry Tax Review'). Taxes on goods and services which are relatively inelastic have a lower marginal excess burden on the economy. Taxes on highly elastic goods and services produce large marginal excess burdens.

Table F.1 Marginal and average excess burdens of Australian taxes

	(Cents of consumer welfare loss per dollar of revenue collected)	
Tax	***Marginal excess burden***	***Average excess burden***
Petroleum resource rent tax	0	0
Municipal rates	2	1
GST	8	6
Land taxes	8	6
Fuel taxes	15	10
Stamp duties other than real property	18	18
Labour income tax	24	16
Conveyancing stamp duties on property	34	31
Motor vehicle registration	37	32
Motor vehicle stamp duties	38	38
Corporate income tax	40	23
Payroll Tax	41	22
Insurance taxes	67	47
Royalties and crude oil excise	70	50
Gambling taxes	92	54

Sources: Henry et al. (2009a); and KMPG EconTech (2010).

Taxes on the value of land

Municipal rates levied by local governments and state government land tax both use the value of land as a tax base and are relatively efficient taxes. In the case of land tax, the raising of an additional dollar of revenue is estimated to result in a loss in welfare of eight cents. This loss is not a transfer — whereby someone gains and someone loses — it is a society or economy-wide reduction in welfare.

The MEB for municipal rates is a quarter that of state government land taxes at a welfare loss of two cents. The lower welfare loss is due to the fact that state land taxes contain significant exemptions which reduce their base, whereas municipal rates do not.

Taxes on labour

Australian Government personal income tax and state government payroll tax uses the value added of labour as a tax base. In the case of payroll tax, the KPMG EconTech estimates show high efficiency burdens, and higher burdens than what is typically expected. Raising an additional dollar in revenue results in a welfare loss of 41 cents.

This contrasts sharply to theory which indicates payroll tax can be an efficient tax. However, the design of payroll tax in practise differs markedly to the theory as exemptions apply which reduce the base of the tax dramatically. It is likely that the efficiency burden losses were driven by the presence of these exemptions.

Duties

Consistent with theory, the efficiency burden estimates indicate that duties are an inefficient revenue source. To raise an extra dollar for insurance duty is estimated to result in a welfare loss as high as 67 cents. Transfer (stamp) duty on vehicles and real property is estimated at a loss of 38 cents and 34 cents, respectively.

Gambling tax

The welfare cost of raising an additional dollar through gambling taxes was estimated at 92 cents. The high estimate was the result of two factors: gambling is subject to high levels of taxation; and any negative externalities of problem gambling were not taken into account. As problem gamblers are only a small fraction of gamblers, the high levels of taxation impact on what is essentially a recreational activity for most people involved.

Problem gamblers are considered to be highly unresponsive to the 'price' of gambling (their demand is highly inelastic). Gambling taxes do not result in a significant reduction in problem gambling for these gamblers suggesting that taxation is an ineffective policy instrument to reduce it.

While gambling may result in negative externalities for problem gamblers, it is the activity itself and not the impacts of gambling taxes that result in inefficiency (the social cost of gambling at the margin for these gamblers being greater than the private costs). The high excess burden estimates are driven by the high rates of gambling taxes applying to the 98 per cent or so of gamblers who are not problem gamblers and who are relatively more responsive to the 'price' of gambling. Given the high rates of taxation, it would be expected that excess burden estimates for gambling taxes would be higher than for other taxes.

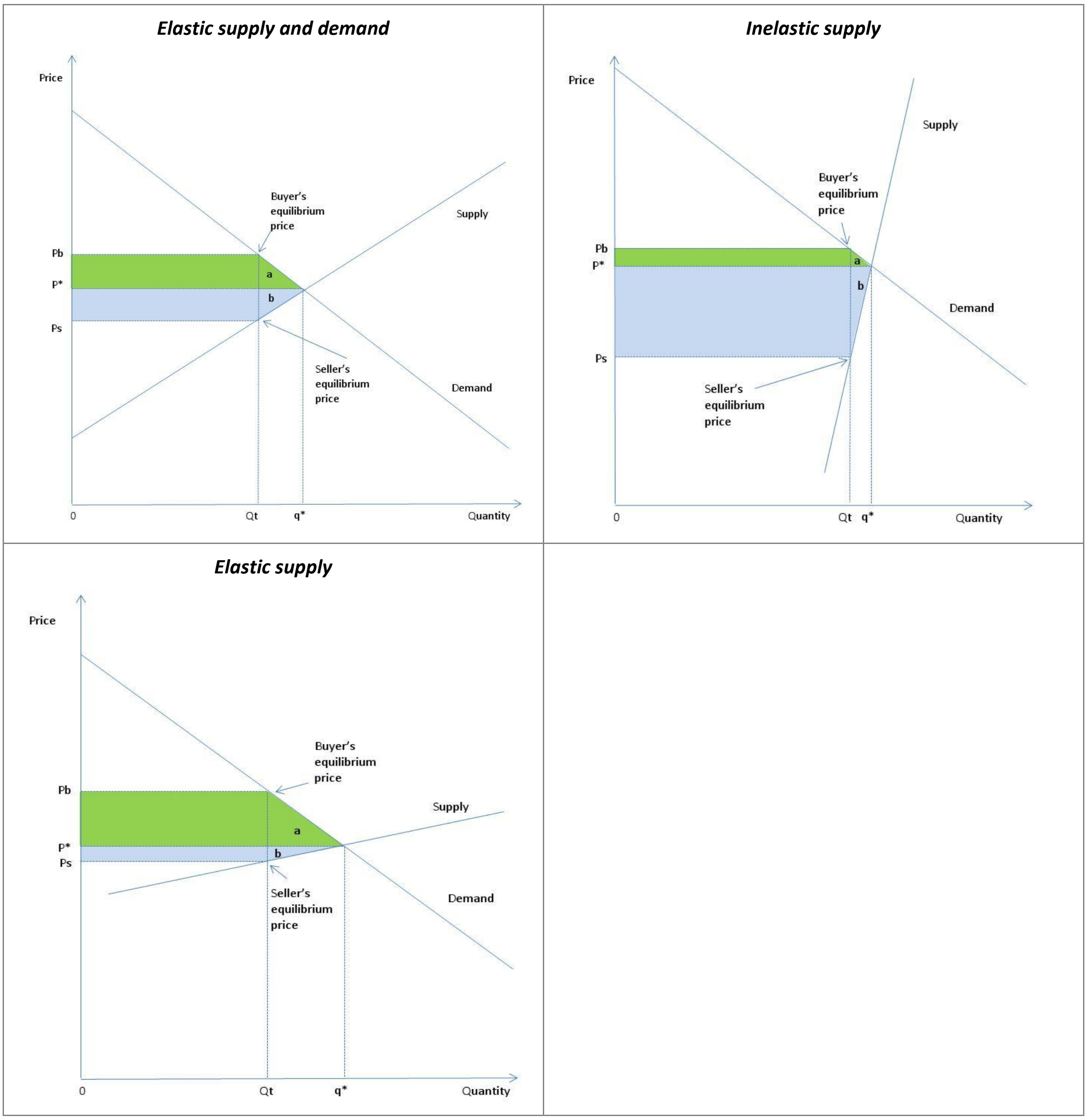
The economic incidence of taxes

The responsiveness of supply and demand to price determines the economic incidence of taxation. The charts below illustrate three market conditions (Figure F.2):

- *elastic supply and elastic demand*: both buyers and sellers are responsive to changes in price. The introduction of a tax results in buyers and sellers sharing the burden of the tax (upper left-hand panel). Buyers lose income represented by the Green shaded area. Sellers lose income represented by the Blue shaded area
- *inelastic supply and elastic demand*: shifting the supply curve so that it is highly inelastic (vertical) results in sellers bearing a much larger burden of taxation (upper right-hand panel)
- *highly elastic supply and elastic demand*: shifting the supply curve so that it is highly elastic (horizontal) results in buyers bearing a much larger burden (lower left-hand panel).

Shifting the demand curve rather than the supply curve also results in similar changes in who bears the burden of taxation.

Figure F.2 How economic incidence changes with changes in the elasticity of supply and demand



Notes: p and q* are the equilibrium price and quantity prior to the introduction of a tax. A tax raises the price a buyer must pay to Pb. It also reduces the price the supplier receives to Ps. The green shaded area is the loss in consumer's surplus. The blue shaded area is the loss in producer's surplus. The revenue collected by the tax is equal to (Qt * (Pb-Ps)), and is a transfer from consumers and producers to government. The deadweight costs of taxation are the shaded triangle areas equal to (a+b).*

In general, the side of the market which is least responsive to changes in price (is more inelastic) will bear more of the burden of the tax.

The illustrations are a partial-equilibrium analysis of the effects of a tax on a single market. The introduction of a tax also has broader economy-wide impacts:

> *While this partial equilibrium analysis is instructive, a more in-depth investigation of the incidence of taxes would use a general equilibrium approach and consider all of the flow-on impacts to other parts of the economy. For example, a tax on labour income will reduce the*

return to labour, having an impact on labour supply. This would reduce incomes in the economy, and impact on the demand for goods and services. Thus, in turn, the demand for other factors of production may also be reduced, reducing the income derived from them. At the same time, the increased labour costs would lead to a switch away from labour intensive production technologies towards production technologies more intensive in the other factors of production. (KPMG EconTech 2010, p. 24)

Land tax concessions

Description of the measures

Land tax

The Queensland Government imposes land tax on the owners of freehold land in Queensland as at midnight on 30 June each year in accordance with the *Land Tax Act 2010*.

Land tax is assessed on the 'taxable value' of an owner's 'total' land-holdings. The Office of State Revenue (OSR) aggregates the value of all land owned by an individual owner in Queensland as at 30 June of each financial year. The taxable value is the total value of the land owned less any exemptions claimed. 'Value' refers to the statutory land value (Box F.3) (also known as the LVA value). The LVA is:

- determined by the Department of Natural Resources and Mines (DNRM)
- the value applied to the land under the *Land Valuation Act 2010*.

Box F.3 Statutory land value

Non-rural land is valued on a site value basis. The site value of improved land is the market value of the land assuming all non-site improvements on the land had never been made. Site value does not include structural improvements on the land such as houses, sheds, and other buildings nor excavations necessary for the structural improvements on the land (such as for building foundations, footings or underground car parks). In arriving at site value, the following assumptions about the land must be made:

- a notional bona fide sale of the land as at the relevant date of valuation
- the land is considered unencumbered fee simple (freehold)
- the land is assumed to be vacant (e.g. all non-site improvements had not been made).

Statutory valuations are derived from the application of analysed values obtained from sales of property that meets the ‘bona fide’ test under the *Land Valuation Act 2010*. The valuer seeks as much assistance from the market as is possible, with the best evidence of land value being from vacant sales.

Rural land is valued on an unimproved basis, therefore it is necessary to notionally remove all of the improvements both on and to the land to view the land in an unimproved state. The unimproved value of improved land (land that is improved by the works of man) is the market value assuming all improvements on or to the land had not been made.

Source: DNRM (2011).

Liability thresholds and rates of tax

Land tax is payable if the taxable value of land owned exceeds the tax free threshold. Different thresholds and tax rates apply depending on the type of owner: residents; absentees (a person who does not normally reside in Australia); companies; or trustees (Table F.2). Note that the thresholds and rates of tax are not linked to the use to which the land is put. A 'resident' may own residential land for the purpose of an owner-occupied home (which is exempt from land tax), land which services as an investment in residential property that is rented, land which is solely an input to business activities, or land which is some combination of these uses.

Table F.2 Land tax liability thresholds and rates of tax

Owner	*Threshold*	*Rate*	
Residents	$600,000	Taxable value	Rate of tax
		$0–$599,999	$0
		$600,000–$999,999	$500 plus 1 cent for each $ more than $600,000
		$1,000,000–$2,999,999	$4,500 plus 1.65 cents for each $ more than $1,000,000
		$3,000,000–$4,999,999	$37,500 plus 1.25 cents for each $ more than $3,000,000
		$5,000,000 and over	$62,500 plus 1.75 cents for each $ more than $5,000,000
Absentees, companies and trustees	$350,000	$0–$349,999	$0
		$350,000–$2,249,999	$1,450 plus 1.7 cents for each $ more than $350,000
		$2,250,000–$4,999,999	$33,750 plus 1.5 cents for each $ more than $2,250,000
		$5,000,000 and over	$75,000 plus 2.0 cents for each $ more than $5,000,000

Notes: For the thresholds, land is assessed separately to any land the resident owns as trustee or as a director of a company.

In 2013–14, there were 2,163,835 landowners potentially subject to a Queensland land tax liability. Of these, 60,257 landowners, or 2.8 per cent of landowners, paid land tax. The remaining 2,103,578 owners had land holdings with an aggregated value under the liability thresholds.

Queensland 'residents' generally pay a lower level of land tax compared to other jurisdictions (Table F.3).

Table F.3 Inter-jurisdictional comparison of land tax payable

Land Value ($)	*Qld 'Residents' ($)*	*Australian average ($)*	*Qld 'Residents' as % of Australian average*
100,000	0	155	-
200,000	0	348	-
300,000	0	639	-
400,000	0	1146	-
500,000	0	1961	-
1,000,000	4500	7707	58%
3,000,000	37,500	42,810	88%
5,000,000	62,500	82,438	76%
10,000,000	150,000	186,817	80%
15,000,000	237,500	295,903	80%

Sources: QCA based on Office of State Revenue data; and Western Australia Department of Treasury (2013).

The minimum threshold for Queensland residents is higher than in other jurisdictions (Table F.4), while the maximum threshold is only higher in Western Australia. The maximum tax rate is lower only in Tasmania and the Northern Territory (where land tax is not levied).

Table F.4 Inter-jurisdictional comparison of land tax thresholds and rates (a)

	WA	*NSW(b)*	*Vic*	*Qld(c)*	*SA*	*TAS*	*ACT*	*NT*
Min. threshold ($m)	$0.300	$0.412	$0.250	$0.600	$0.316	$0.025	$0	Not Levied
Max. threshold ($m)	$11.000	$2.519	$3.000	$5.000	$1.052	$0.350	$0.275	-
Min. tax rate	0.10%	1.60%	0.20%	1.00%	0.50%	0.55%	0.60%	-
Max. tax rate	2.43%	2.00%	2.25%	1.75%	3.70%	1.50%	1.80%	-

(a) The rates in the table are from the general land tax scales which apply to properties in each jurisdiction. (b) The thresholds are determined using the past three-year average of 'indexed' land values in New South Wales. (c) For Queensland 'Residents'; excludes data for Absentees, Companies and Trustees.

Source: Western Australia Department of Treasury (2014, p. 28)

Other land tax concessions

There are various exemptions and deductions which qualify as industry assistance, including:

- land developer's concession: since 1 July 1998, land tax payable by land developers has been worked out on the basis that the unimproved value of (undeveloped) land subdivided in the previous financial year, and which remains unsold at 30 June of that year, is 60 per cent of the Valuer-General's value. This concession is outlined in Section 30 of the *Land Tax Act 2010*
- primary production deduction: the *Land Tax Act 2010* provides an exemption for land or a part of land that is used solely for the business of agriculture, pasturage or dairy farming
- moveable dwelling parks: a moveable dwelling park is a place where caravan or manufactured home sites are leased or rented. An exemption can be claimed if: the land is used predominantly as a moveable dwelling park; and more than 50 per cent of sites in the park are occupied, or solely available for occupation, for residential purposes for periods of more than six weeks at a time
- other exemptions, including -
  - aged care facilities: an exemption may be claimed if land is used as the location for an aged care facility. This exemption applies to facilities that are an approved provider under the *Aged Care Act 1997 (Cwlth)*
  - retirement villages: you may be able to claim an exemption if the land is used for premises or facilities for residents of a retirement village. This exemption applies to facilities registered under the *Retirement Villages Act 1999*.

Exemptions not within the scope of industry assistance

There are a range of land tax concessions which do not qualify as industry assistance, including:

- land servicing owner-occupied housing is exempt from land tax regardless of the value of the land (the principle place of residence exemption)
- land owned by charitable institutions, associations, government land, and recreational and public land is generally exempt from land tax
- other exemptions include land owned by, or held in trust for, friendly societies, and trade unions (if the land is not used to carry on a business for profit).

These exemptions, as well as the exemptions that qualify as assistance, narrow the base of land tax.

Local government rates

The evaluation of land tax concessions is influenced by the presence of local government rates in two ways: rates account for roughly half of all non-Commonwealth revenue from taxes on land, and the effect of state taxes on land depend on those already levied by local governments; and the efficiency of rates is a useful benchmark for land tax design issues.[27]

Local governments use land as a base for the charging of council rates. The level of rates that landowners must pay is at the sole discretion of their local council.[28] Councils must levy a general or differential general rate on all rateable land. However, councils have considerable flexibility in calculating the rates they choose to adopt.

The general rate is a rate levied equally on the unimproved value of land and is expressed as a number of cents per dollar of valuation. It is the same rate in the dollar for all rateable land in the local government area.

A 'differential general rate' is applied to different categories of rateable land based on land use, access or consumption of council services. A council may levy a different rate in the dollar for each category. The rationale differing rates usually relates to perceptions of a uniform rate being inequitable or unfair (e.g. where there are significantly different rates of consumption of council services).

Level of assistance

The revenue foregone from land tax concessions assisting industry are greater than the revenue generated by land tax. Land tax concessions are estimated to provide assistance of $1171.4 million in 2014–15. The Queensland Government's 2014–15 Mid Year Economic and Fiscal Review (MYEFR) estimated that land tax would generate $995 million in revenue in 2014–15 (Table F.5).

The liability thresholds and graduated land tax scale together account for 90 per cent of the industry assistance provided through land tax concessions. In addition to these concessions, as noted earlier, there are many exemptions which do not qualify as industry assistance with owner occupied housing being the most significant example.

[27] Gabbitas & Eldridge (1998), pp. 128–29.
[28] See http://www.dlg.qld.gov.au/about-local-government-and-councils/council-rates-and-charges.html.

Table F.5 Level of assistance ($ millions)

Concessions	*2013–14*	*2014–15*	*2015–16*	*2016–17*	*2017–18*
Liability thresholds	542.0	549.0	570.6	593.4	617.1
Graduated land tax scale	493.0	499.0	518.7	539.7	561.3
Land developer's concession	18.0	18.0	18.0	18.0	18.0
Primary production deduction	93.0	94.0	97.9	101.8	105.9
Moveable dwelling parks	8.0	8.1	8.4	8.8	9.1
Aged care facilities, including retirement villages	3.3	3.3	3.4	3.6	3.7
Total assistance (concessions)	1157.3	1171.4	1217	1265.3	1315.1
Land tax revenue	986.0	995.0	1035.0	1076.0	1120.0

Notes: The benchmark rates used for estimating the tax expenditures were 1.75 per cent for residents and 2.0 per cent for companies, trustees and absentees.

Sources: QT Information Return; and Queensland Government (2014k).

Rationale and objectives

The primary objective of land tax is to raise revenue to fund government expenditure.

Liability thresholds concession

The liability thresholds exempt owners of properties below the threshold from the obligation of paying land tax.

The liability thresholds do not address any identified problem related to market failure (or have as objectives the correction of market failure). Rather, the rationales for the concessions include concerns related to the level of administration and compliance costs, and the general desire to support a positive business environment.

Administration and compliance costs

Part of the rationale for liability thresholds is the desire to minimise administration and compliance costs, or at least to find an appropriate 'balance' between those costs and the revenues which would be generated in the absence of the concessions.

The design of a tax system should take account of both the costs of administering and the costs of complying with the system as both types of costs represent the consumption of real resources. Therefore, the presence of thresholds — set at some level — is a desirable feature of a land tax system.

Finding the optimal level to set the thresholds involves a number of considerations, including: the revenue requirements of government; weighing administration and compliance costs against the revenues generated (foregone); and consideration of any unintended efficiency or other consequences of the thresholds.

Provision of support for a positive business environment

The thresholds may be viewed as part of a broader strategy of maintaining a competitive tax environment for Queensland businesses, with the thresholds assisting primarily small businesses. Principle 3 of the

Queensland Government's fiscal strategy is to maintain a competitive tax environment for business to support businesses' ability to expand and invest.

Graduated land tax scale concession

The graduated land tax scale charges a rate of tax which is higher for owners whose total holdings of freehold land in Queensland are more valuable.

The concession does not address any identified problem related to market failure. The rationale for the concession is primarily related to distributional objectives, based on the assumption that owners with more highly valued aggregated land holdings have a greater capacity to pay tax.

Other land tax concessions

Concessions to offset other distortions

Underlying the rationale for a number of land tax concessions is the principle of 'neutrality' applied to decisions concerning the efficient use of land. Both the moveable dwelling parks and aged care facilities (including retirement villages) concessions attempt to align the tax treatment of these land uses with the exemptions available for a principal place of residence of an individual. These measures are examples of an initial policy decision to preference one use of land resulting in the introduction of distortions to land use decisions, followed by attempts to reduce the distortions by introducing further concessions.

The objective of the concessions is not necessarily to promote the use of land for moveable dwelling parks or aged care facilities, but to reduce the distortion from the principal place of residence exemption which would result in these alternative uses being less than would have been the case if land tax was applied in a neutral, non-distortionary way. The problem being addressed is not a result of market failure, but the result of how market participants would respond to the unintended incentives created from a government policy choice.

Similarly, the primary production deduction concession is motivated, at least in part, by distortions from the principal place of residence exemption. An efficient allocation of resources requires that resources flow to their highest value uses. In the absence of the concession, the principal place of residence exemption would increase at the margin the return to land used for residential purposes compared to land used for primary production. This would incentivise the conversion of farmland to residential property, with this choice possibly starkest on the boundaries of cities with expanding populations.

Land developer's concession

The concession recognises that the way the land tax regime operates is to calculate tax on the value of land at a particular point in time, without taking into account the impact of re-zoning or development on that value (i.e. the methodology assumes that single point value reflects the value that applied during the whole year, which is not likely to be the case in a land development).

Land tax is an efficient tax...in theory

Land tax is an efficient means of raising revenue because land, unlike labour and capital, is an 'immobile' input to production. Land cannot be shifted to other regions, states or countries so that changes in demand, or the imposition of taxes, change the price of land but not the amount of land that is supplied:

> *Unlike capital and some labour, all land is immobile. If returns to capital or labour are higher elsewhere, those factors of production will tend to move toward those returns, but land cannot do so. This means that, in response to changes in demand, it is only the price of land that is affected, not how much it is used. (Henry et al. 2009b, p. 247)*
>
> *When applied uniformly across a broad base, land tax is one of the most efficient means of raising revenue. This efficiency arises from the immobility of the tax base and, unlike most other taxes, levying different rates of land tax in different States has very low efficiency costs. (Henry et al. 2009a, p. 48)*

> *Shifting taxes away from mobile bases toward an immobile base, increases efficiency and potentially leads to higher long-term economic growth. Further, as land values tend to be correlated with growth in the economy and population, land tax is well-suited to future demographic pressures. (Henry et al. 2009b, p. 264)*

An 'ideal' or theoretically best broad-based tax on the unimproved value of land has the benefit that it does not:

- result in a resource or factor of production being shifted out of supply (this is in contrast to, for example, investment which can be shifted to different states or countries)
- alter decisions concerning the use of the land as landowners face the same tax liability irrespective of use (Box F.4).

Box F.4 Properties of an ideal broad-based land value tax

Incidence

When a land value tax is introduced, the existing owners of land bear the burden of the tax as a reduction in land values. Potential buyers of land will reduce how much they are willing to pay for land by the value of the expected land value tax payments. That is, the value of land reflects the future after-tax earnings on land — with a tax in place, people will buy land only when they can pay less for it. Potential buyers will expect to get at least the same risk-adjusted return from land as they could from alternative investments. That is, land value tax reduces the value of the land to equalise the after-tax return to land with the return to other investments. This means that land tax does not distort investment decisions.

Efficiency properties

Because land is immobile it cannot be shifted out of supply. This makes land an efficient tax base. While lowering the price of land, a broad land value tax does not change how land is used. Since land value tax is paid by the owners of land regardless of what they do with it, the use of the land is not affected by the tax. The landowner cannot reduce their tax liability by changing land use — an empty block pays the same tax as an identical developed block since both blocks accrue the same 'economic rent' over time.

Nor does land value tax change how other productive resources are combined with land. If a landowner were to try and 'pass forward' the tax to users of the land, some users (particularly highly mobile international investors) would simply reduce their use of land, lowering the demand and price for the land. When broadly applied across all uses of land, the introduction of a land value tax should not affect whether land is used for agriculture, housing or manufacturing. Even if a business (such as a farm) uses a disproportionate amount of land to produce goods and services, it will not be affected since the price of land is commensurately lower.

Land value tax therefore differs from taxes on other productive resources: taxes on labour reduce people's work effort; and taxes on capital can cause the capital to be employed elsewhere (particularly overseas). In contrast, a broad land value tax is borne by landowners and the supply of land is unchanged. Land value tax falls on the owner's 'economic rent'.

The relative efficiency of land value tax is supported empirically. A recent Organisation for Economic Co-operation and Development report found that a 1 per cent switch to land or property tax (but not to taxes on transactions) away from income tax would improve long-run GDP per capita by 2.5 percentage points (Johansson *et al.* 2008).

Source: Henry et al. (2009b, pp. 247–8).

Land in fixed supply can be represented by a perfectly vertical supply curve. In this case, a tax on land will change the price of land (or its rental value), but there are no decisions which reduce or increase the quantity of land available, so that there are no excess burdens resulting from the tax:

> *Property taxes were traditionally viewed as driving a wedge between the price faced by buyers and that received by sellers... As land was viewed as being in fixed supply, it was thought that the burden of property taxes would fall entirely on those owning the land when the tax was introduced. As no supply side adjustments were viewed possible, it was thought that the stream of tax payments associated with landownership would be capitalised and deducted from the purchase price of the land. Thus, sellers could not pass the burden of the tax onto buyers of the property.*
>
> *Similarly, landowners would be unable to pass the tax on to tenants in the form of higher rents. This perceived unresponsiveness made land an ideal subject for taxation on efficiency grounds, as the tax would not distort resource allocation decisions. Under the traditional view, the incidence of land tax would fall on initial owners of commercial and industrial land (and, in Victoria, on residential and rural landowners subject to the tax). The incidence of municipal rates would be spread across the initial owners of all rateable properties. (Gabbitas & Eldridge 1998, p. 152–3)*

The view that land is in fixed supply and that the incidence of a land tax falls on landowners is an old one:

> *Ground-rents are a still more proper subject of taxation than the rent of houses. A tax upon ground-rents would not raise the rents of houses. It would fall altogether upon the owner of the ground-rent, who acts always as a monopolist, and exacts the greatest rent which can be got for the use of his ground. More or less can be got for it according as the competitors happen to be richer or poorer, or can afford to gratify their fancy for a particular spot of ground at a greater or smaller expense. In every country the greatest number of rich competitors is in the capital, and it is there accordingly that the highest ground-rents are always to be found. As the wealth of those competitors would in no respect be increased by a tax upon ground-rents, they would not probably be disposed to pay more for the use of the ground. Whether the tax was to be advanced by the inhabitant, or by the owner of the ground, would be of little importance. The more the inhabitant was obliged to pay for the tax, the less he would incline to pay for the ground; so that the final payment of the tax would fall altogether upon the owner of the ground-rent. (Smith 1776)*

Land tax in Queensland and other states is applied to the 'unimproved' value of land so that the tax does not affect investment decisions which improve the land (its productiveness or contribution to the activities for which the land is used):

> *... land value tax does not apply to the value of a property attributable to buildings and other forms of capital improvements. This means that the land valuation does not rise if a business owner builds a better factory, or a homeowner builds an additional family room. If, instead, these improvements were taxed, the tax would discourage investment and be less efficient. By not taxing improvements on land, land tax does not affect the owner's decision to invest in the productivity of their land. Instead, only the economic rent from the land is taxed. By levying a land tax, the community effectively shares in the benefit that would otherwise flow to the landowner. (Henry et al. 2009b)*

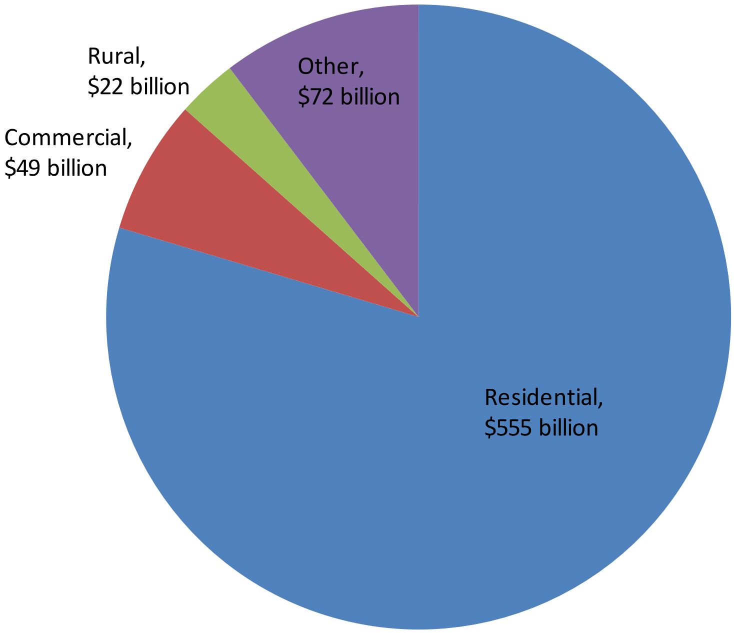
Exemptions and concessions reduce the efficiency of land tax

Land tax is not applied widely and uniformly, but is applied to some land uses and not others, and is progressive in nature. These deviations from an ideal land tax introduce significant distortions reducing the efficiency of land tax.

Exemptions result in a narrow base

Substantial exemptions harm the efficiency of any tax by encouraging economic activity to move to the untaxed sector. The exclusion of owner-occupied housing and land used for primary production significantly reduces the base of land tax (Figure F.3).

Figure F.3 Queensland land value by category of land use (June 2014, $ billions)



Source: ABS (2014g).

In comparison, municipal rates are applied on a broader base:

> *In Australia, while local government property rates are broad-based, the state land tax is very narrow...Rates, which in part are a form of land tax, are the main revenue source for local government, and are subject to few exemptions and no tax-free threshold. The Australia-wide average effective rate in 1995–96 was 0.8%, comprising significant fixed charges and very low marginal rates on unimproved land values. In this form, local government property tax is relatively free of controversy and is accepted as well as any tax can be.*
>
> *In contrast, state land tax—also levied on unimproved values—is subject to major exemptions and high tax-free thresholds for those who do pay. The major exemptions are for owner-occupied housing and agricultural land. The average effective land tax rate across all states in 1995–96 was just 0.2%, compared with much higher statutory marginal rates. Thus, land tax applies to a small fraction of its potential base. (Carling 2008, p. 8)*

Selectivity and neutrality

A consequence of an eroded base is that land lax selectively taxes land depending on the type of use.

Land tax is also selective in that concessions exempt some industries and not others. A number of concessions apply to all (or nearly all) industries — although their impacts may not be uniform — while other concessions apply to narrowly defined industries (or even single markets):

- exemption threshold: applies broadly across industries reducing the tax liability of those industries not exempted from land tax. Some industries are assisted more than others depending on industry differences in how intensively land is used as an input to production
- graduated land tax scale: selective based on the type of land ownership and the value of land being taxed
- land developer's concession: highly selective as it is targeted at the construction industry only
- primary production deduction: selective as the concession is targeted at a small number of industries (or markets)

- moveable dwelling parks: highly selective as the concession is targeted at a single market
- aged care facilities, including retirement villages: highly selective as the concession is targeted at a single market.

The exemptions and concessions are not consistent with the principle of neutrality.

Differing liabilities by who owns the land

Land tax payable differs depending on who owns the land with the rate of liability increasing as the value of the aggregated land holding increases (Table F.6). For land which is exempt, such as land used for primary production or owner-occupied housing, the rate of liability is zero.

Basing land tax on aggregated land holdings was motivated by historical concerns which are no longer relevant:

> *When the Australian colonies introduced land taxes in the late nineteenth century, higher tax rates on aggregate holdings were introduced to encourage large rural landholders to subdivide their land and sell it to settlers (Smith 2004). As rural land is no longer in the base, this rationale for higher rates on larger aggregate holdings is no longer applicable. (Henry et al. 2009b, p. 261)*

Table F.6 Land Tax liabilities by ownership

Land value ($)	*Queensland residents ($)*	*Absentees, companies and trustees ($)*	*Queensland residents (% of land value)*	*Absentees, companies and trustees (% of land value)*
100,000	0	0	-	-
200,000	0	0	-	-
300,000	0	0	-	-
400,000	0	2300	-	0.6%
500,000	0	4000	-	0.8%
1,000,000	4500	12,500	0.5%	1.3%
3,000,000	37,500	45,000	1.3%	1.5%
5,000,000	62,500	75,000	1.3%	1.5%
10,000,000	150,000	175,000	1.5%	1.8%
15,000,000	237,500	275,000	1.6%	1.8%

Source: QCA based on Office of State Revenue data.

A 'progressive' rate scale

The Henry Tax Review considered that an increasing marginal rate of tax could be justified where it could be reliably linked to economic rents from land ownership:

> *Higher rates of tax on economic rents do not distort economic decision-making, as higher rates on labour or capital would...An increasing marginal rate of tax may be justified the more certainty there is that the land valuation accurately reflects economic rent, rather than returns to other factors such as capital. (Henry et al. 2009b, p. 265)*

Graduated rate scales may also be motivated by equity or redistribution objectives, but are likely a poor policy tool for achieving those objectives:

> *Another feature of state land tax is the imposition of graduated rate scales in all states except New South Wales. Graduated scales represent an attempt by states to play a redistributive role that, to the extent it is warranted, is more effectively carried out by the central government. In*

> *any case, the distributional effects of a graduated land tax scale may not be what the policy aims to achieve. Most high-value commercial properties are now owned by property trusts and superannuation funds on behalf of small investors and fund members. It is not obvious that high land values are a good indicator of these ultimate owners' capacity to pay. (Carling 2008, p. 8).*

One problem with using a scale of increasing marginal rates is that it provides an incentive for smaller land holdings (KPMG EconTech 2010, p. 87). The incentive problem may be seen in the market for the supply of rental housing:

> *Levying higher taxes on larger holdings discourages land-based investment by institutional investors, such as in rental housing. As owner-occupied housing is exempt, land tax on residential investment properties is probably passed through to renters as higher rent. (Henry et al. 2009a, p. 48)*

Other government policies seek to increase the supply of affordable rental housing. The aims of the National Rental Affordability Scheme (Chapter 9) would appear to be to correct a problem partially created by the design of land tax. The scheme aims to:

- increase the supply of new affordable rental housing
- reduce rental costs for low and moderate income households
- encourage large-scale investment and innovative delivery of affordable housing.

Potential participants in the scheme include financial institutions, medium to large-scale investors, private developers, not-for-profit organisations and community housing providers who may build, own, finance or manage scheme dwellings.

Offsetting the distortions of other policies

Land tax would ideally be designed so that it plays no role in decisions on how best to use land.

The primary production deduction, moveable dwelling parks concession and the aged care facilities including retirement villages concession are partly motivated by concerns for the distortions created by the principle place of residence exemption.

The concessions introduce a distortion to offset a pre-existing distortion. The concessions reduce the distortions between certain uses, for example, between aged cared facilities and owner-occupied housing, while the distortion between commercial/industrial use and other uses remains. If it is assumed that the concessions result in the rate of land tax applied to a narrow base being higher than otherwise, then the concessions increase the distortion between commercial/industrial use and other uses.

The concessions further reduce an already eroded base for land tax. Given a public sector financing constraint, the concessions imply higher rates of land tax (or other taxes) than would otherwise be the case, and, therefore, a less efficient tax system.

Political judgements have been made that these industries (or markets) are deserving of exemption from land tax liabilities whereas other industries or uses are not. However, it is possible that the costs of distortions from the primary place of residence exemption (and other exemptions) falls more heavily on some industries and uses of land than others.

Efficiency burdens

There is a significant gap between the efficiency of land tax in theory and in practice:

> *Land tax is similar to payroll tax in the sense that both are theoretically economically efficient taxes whose reality falls far short of the ideal. The contrast between land tax's potential and reality is even greater than what we see in the case of payroll tax. Land tax is well-suited to be a revenue-collection instrument for sub-national governments because of the immobility of the*

> *base. Moreover, a broad-based property tax imposes low economic efficiency costs because of the limited economic 'wriggle room' available to the taxpayer. (Carling 2008, p. 8)*

> *The thresholds applied to land tax and the wide ranging exemptions reduce the efficiency and equity of the tax. (Henry et al. 2009b, p. 260)*

Notwithstanding the distortions introduced from the narrowness of its base and differing rates of tax, empirical estimates of the efficiency of land tax indicate that is still a more efficient revenue source than many other taxes. KPMG EconTech estimated that the marginal and average efficiency burdens (an average of state land taxes) were eight and six cents of consumer welfare loss per dollar of revenue, respectively. KPMG EconTech commented that the results were:

> *... in line with the mobility principle, which recognises that taxes on immobile factors will have low economic costs. It confirms that any economic costs from land tax arise through differential rates across industries and the progressivity of land tax. (KPMG EconTech 2010, p. 53)*

As modelling only took partial account of the distortions introduced from exemptions, thresholds and graduated rate scales, KPMG EconTech stated that the real efficiency burden of land tax is likely to be higher (i.e. the estimates are biased downward).

A uniform land tax was also modelled to provide an indication of the order of magnitude of the distortions. The rate of the uniform land tax was set so as to raise the same amount of revenue as the existing land tax system. The average efficiency burden of the uniform land tax was estimated at zero (compared to 6 cents). Comparing the impacts on incomes from alternative land uses under the two modelling scenarios indicated that the incidence of land tax and municipal rates is not shifted (i.e. the legal and economic incidences are highly similar) (KPMG EconTech 2010, pp. 53–4).

The distortions shift the economic incidence of land tax

If land is in fixed supply then landowners bear the burden of land tax. However, if landowners can choose to use their land in an exempt activity/use and not pay land tax, then the supply of taxable land is no longer fixed. The presence of exemptions results in a partial shift in economic incidence to users of land:

> *…to be efficient land value tax must have few (if any) exemptions. The efficiency benefits of land value tax depend on the base being broad. Land value tax is efficient because land is fixed in supply. The only substitute for land is other land. However, exemptions from land tax provide some choice to owners of land on what to do with their land (and whether to pay land tax or not). If landowners can choose to use their land in an exempt activity and not pay land tax, the supply of taxable land is no longer fixed. This means that users of land subject to land tax will need to share some of the land tax liability if they want to use the land. For example, owners of investment properties subject to land tax need an inducement to continue letting their property, as they could otherwise sell it to someone who wants to live in it themselves and not pay land tax. This inducement comes by effectively sharing some of the burden of the tax with the tenant, who may be a business or private renter. When this occurs, the incidence of land tax does not fall only on the holders of land — it also falls on the users of the land. A narrow land tax may therefore be relatively inefficient, and arguably, inequitable. (Henry et al. 2009b, p. 250)*

Simplicity and transparency

The Independent Pricing and Regulatory Tribunal (IPART) assessed that the simplicity of New South Wales land tax was poor:

> *Land tax has a single marginal rate with a tax free threshold and so, prima facie, is quite a simple tax. However, it is complex to administer due to exemptions to the tax, indexing of the tax free threshold, the use of a three-year average of land value, and the definition of the 'unit' to which land tax applies. It is also relatively costly to administer, because the Valuer-General must assess the value of land, and the Office of State Revenue must identify taxable properties. (IPART 2008, p. 60)*

Queensland land tax is applied with a graduated rate scale which adds a degree of complexity. Similar to NSW, land tax concessions reduce the simplicity of the tax.

The transparency of NSW land tax was assessed as being poor:

> *As noted above, the value of land for land tax purposes is determined independently by the Valuer-General, and taxpayers can readily see the link between land value and tax paid. However, land tax performs poorly against the transparency criterion because taxpayers may not know when their land value exceeds the tax free threshold and they become liable for land tax. The arrangements for using a three year average land value also reduce transparency. In addition, the economic incidence of land tax is not transparent. (IPART 2008, p. 60)*

Distributional impacts

As land tax concessions alter the final incidence of the tax, the concessions influence the distributional properties of the tax:

> *To some extent, land tax promotes vertical equity, in that taxpayers who own higher valued properties pay more tax. However, it does not promote horizontal equity due to the exemption for owner-occupied properties and the tax-free threshold for investment property.*
>
> *However, there is some uncertainty about who actually bears the burden of the tax, specifically in relation to investment properties where the property owners are legally liable for the tax but can potentially pass it on to tenants through higher rents.*
>
> *If land tax is borne by property owners, those who choose to hold a majority of their assets in the form of their principal place of residence, exempt land, or securities do not pay a similar amount of tax as those with taxable land holdings. If it is passed on to tenants, those tenants are disadvantaged relative to those who own their own home (and who generally have higher average income and net wealth).*
>
> *To some extent, land tax is a tax on wealth…land tax is also a discriminatory tax on wealth because it applies to only one dimension of wealth – ownership of land assets. Since tax obligations are not related to the revenue stream generated by the relevant assets, those liable to the tax may experience cash flow difficulties – asset-rich, income-poor taxpayers. (IPART 2008, p. 59)*

The Henry Tax Review also considered that, because owner-occupied housing is exempt, the burden of land tax on residential investment properties was likely shifted from owners of properties to renters through higher rents (Henry *et al*. 2009a, p. 262). Land tax was also considered a poor instrument for addressing vertical equity concerns:

> *Some exemptions from land tax may be motivated by equity concerns. In general, land tax is not a good tool for achieving vertical equity objectives. As land holdings are just one asset in a wealth portfolio, they are not a comprehensive mechanism for assessing means. Exemptions based on use are also unlikely to target equity well, as they will reduce tax for people regardless of their means. The income tax transfer system is a more effective and targeted means of achieving vertical equity between Australian residents than exemptions from land tax. (Henry et al. 2009b, p. 250)*

While industry assistance concessions contribute to some responsiveness in the supply of land to alternative uses, the larger influence, in terms of equity impacts, is the principal place of residence exemption.

Role of tax concessions in land tax reform

There is a broad consensus that the efficiency of state tax systems would be improved if there was a greater reliance on land taxes which entails removing exemptions:

> *Ideally, the exemptions, thresholds, and multiple rate scales would be swept away and replaced by a single low rate (which may vary between the states), administered jointly with local*

> *government rates for maximum simplicity. The Productivity Commission estimates of average effective land tax rates suggest that a uniform rate of 0.2% would be required to raise the same revenue as the current arrangements. A second-best option would be to have a two-tier system, with a very low rate (say, 0.1%) for all residential land, and something like the existing rates for non-residential land. This would be administratively more complex because of the need to distinguish between residential and non-residential uses of land and to impose different rates on mixed-use land. (Carling 2008, p. 8)*
>
> *The structure of land taxes could be improved by broadening the land tax base to eventually include all land. Land tax rates should be based on the value of a given property, so that the tax does not discriminate between different owners or uses of land. A tax-free threshold based on the per-square-metre value of the land could be set such that there would be no tax liability on most agricultural and other low-value land. Higher-value land could be taxed at differentiated rates based on the per-square-metre value of the land. (Henry et al. 2009a, pp. 48–49)*
>
> *In the long term, [the NSW Government] should develop a strategy for increasing its reliance on land tax to fund further reductions in its reliance on purchaser transfer duty and insurance taxes. (IPART 2008, p. 10)*

The Henry Tax Review considered that governments should make increased use of taxes on the unimproved value of land and that the design of the tax should generally not be used to achieve vertical equity objectives:

- reflecting the principle that taxes for revenue-raising purposes should be on broad and immobile bases, increased use should be made of tax on unimproved land values
- land value taxes should not include building values or be triggered by transactions as both of these can affect the use of land, which reduces the efficiency of the tax, and can be inequitable
- land value tax rates and thresholds should generally not be varied to achieve vertical equity objectives, which are better targeted through the personal tax and transfer system (Henry *et al.* 2009b, p. 251).

The review also considered that:

- the base for land taxes should not be on 'aggregated' land holdings, but should be calculated per land holding, and that tax should be applied to the per square metre value of the land
- the exemption for owner-occupied housing should be removed
- the exemption for primary producers should be removed
- affecting primarily commercial and industrial properties, the liability thresholds should be removed as part of a package of reforms which would also reduce the rate scales and abolish stamp (transfer) duties on properties (Box F.5).

Box F.5 Henry Tax Review Land Tax recommendations

In relation to Land Tax, the Henry Tax Review made the following recommendations:

- That the future Australian tax system should increasingly rely on land values as a tax base.
- That Land Tax should no longer be based on aggregate land holdings as this approach discourages large-scale investment in the rental property market, and does not appropriately target the economic rent from land.
- The simplest alternative would be to levy Land Tax at a flat rate on the unimproved land value irrespective of total value. Alternatively, increasing marginal rates of tax could be applied to the economic rent in land by basing the tax on the value of the property per square metre, starting with a zero rate on low-value land.
- Broadening the base of Land Tax by removing the exemption for owner-occupied housing.
- This would potentially raise significant revenues more efficiently than current tax systems. The exemption is inequitable as it is likely that it contributes to renters bearing some or all of the burden of Land Tax, as well as reducing the efficiency of the tax system through distorting land use.
- Broadening the base of Land Tax by including land used for primary production.
- It was noted that uniform application of the tax on a per-square-metre basis with a low minimum threshold would likely result in no tax paid by most land likely to be used for primary production. By basing Land Tax solely on value and not type of use, administration and compliance burdens would be reduced, and distortions to land use reduced. By basing the eligibility for tax based on value, rather than use, primary production land would not become taxable merely because it is converted to a different use.
- For land used for commercial and industrial purposes, a potential reform priority could be to remove the exemption thresholds in return for rationalising the rate scale and for abolishing stamp (transfer) duty on those properties.

Source: Henry et al. (2009b).

A broadening of the land tax base could have significant distributional effects (see Box F.6 for an example) suggesting that reform might be more likely and better implemented if it occurred as part of a package of measures, including a lowering of tax rates and the abolition of other taxes. IPART considered that a simple extension of the land tax base to include owner-occupiers, farmers and owners of properties below the current tax free threshold would constitute a substantial shift in the tax burden. The impact on owner-occupiers would be compounded by the fact that, unlike business owners, they cannot ‘pass on’ the tax to tenants, or access income tax deductions for land tax payments. On the other hand, using the proceeds of base broadening to fund a reduction in the rate of land tax would result in a substantial gain for those currently liable for land tax. Lowering land tax may benefit lower income individuals and families in the private rental market (in the form of lower rents). However, IPART noted conflicting views on the ultimate incidence of land tax and hence on the extent of these benefits (IPART 2008, p. 119).

Box F.6 Agriculture production, land tax incidence and adjustment

AgForce submitted that with the fixed and essential nature of land supply to agriculture, applying a tax on land ownership will fall directly those primary producers who own land, given their limited capacity to influence the prices of their products, rather than the end users of the food and fibre products. This would add to the fixed costs of production, reduce the industry's capacity to compete with foreign suppliers and may result in a fall in the value of land (to restore market rates of return).

The average value per farm of land and fixed improvements used by broadacre agriculture in Queensland is around $4 million and the average annual long term (1990 to 2014) farm business profitability of broadacre agriculture (at full equity and including capital appreciation) is $115,000. Applying an annual land tax of say 1 per cent to this average value of land and fixed improvements would represent a cost impost of $40,600. If producers are unable to pass on additional costs, this would represent a potential reduction of 35 per cent of annual farm business profitability, if the final full burden fell on the business and there were no offsetting changes to other taxes being applied.

While the Henry Tax Review advocated replacement of inefficient state duties with a broadened land tax, AgForce noted that the review discussed changing the base upon which land tax is applied to the per square metre value of the land, which might include a low value threshold that would effectively exclude most agricultural land.

AgForce considered that, given the long occupancy periods of primary producers, a move to apply land tax in replacement of stamp duty would likely result in a net increase in tax burdens, unless a specific exclusion or concession was applied.

Sources: AgForce (sub. 43); and Henry et al. (2009b).

Summary

The major land tax concessions — the liability thresholds concession and the graduated rate scales concession — which provide assistance to industry are not based on strong rationales. They do not address a market failure or distortions from other government policies. They also do not conform to sound tax system design principles in that they do not improve efficiency or equity. They result in a tax system which raises revenue in a way that has higher welfare costs than is necessary.

The rationale for the primary production deduction, moveable dwelling parks concession and the aged care facilities, including retirement villages concession, is largely related to the existence of the primary place of residence exemption. These concessions reduce the base of land tax and, under a public financing requirement constraint, imply higher tax rates than otherwise (or higher marginal rates for some other tax), and therefore welfare losses. On the other hand, the concessions are intended to reduce the impact of land tax on land use decisions where the choice is between exempt uses (e.g. residential use) and use as farmland, moveable dwelling parks and/or aged care facilities.

Land tax as applied in Queensland and other states deviates significantly from the textbook or theoretically best land value tax. The very significant narrowing of the base means that land is, in effect, not in fixed supply resulting in a partial shift in the incidence of the tax from landowners to users of land.

Payroll tax concessions

Description of the assistance measures

Four tax concessions that qualify as industry assistance apply under payroll tax:

- *Exemption threshold concession*: employers who employ in Queensland with an annual payroll of $1.1 million (the 'exemption threshold') or less are exempt from payroll tax

- *Deduction scheme concession*: a deduction scheme applies between the exemption threshold at $1.1 million and the maximum threshold of $5.5 million lowering the rate of tax liability. For employers with annual wages above the exemption threshold at $1.1 million, the deduction reduces by $1 for every $4 that the wages exceed the threshold until the deduction tapers to zero at the upper threshold of $5.5 million. Above the upper threshold, the maximum rate of tax at 4.75 per cent applies
- *Exempt employees concession*: wages or salaries paid to apprentices and trainees may be exempt from payroll tax. An apprentice is defined to be a person who is trained in a skilled trade and will, on completing training, become a qualified tradesperson (e.g. electrician, plumber, cabinet-maker, auto mechanic). A trainee is defined to be a person trained in a vocational area (e.g. office administration, information technology, hospitality) and will, on completing their traineeship, receive a Certificate II or above in their chosen vocational area
- *Firm-specific exemptions*: payroll tax exemptions or 'holidays' are sometimes offered to a business as part of an incentive package to get the business to relocate to and invest in Queensland.

There are many payroll tax exemptions not within the scope of measured industry assistance. Wages paid by the following employers may be exempt:

- governor of a state
- public hospital
- charitable institution
- teacher's training college
- Queensland Government department (excluding commercialised business units)
- Queensland hospital and health service
- local government
- Commonwealth War Graves Commission
- Australian–American Educational Foundation
- a consular or other non-Australian government representative.

In addition, wages paid to the following employees may also be exempt from payroll tax:

- member of the Australian Defence Force
- volunteer member of a rural fire brigade
- volunteer member of the State Emergency Service
- honorary ambulance officer
- Aboriginal or Torres Strait Islander person employed under the Community Development Employment Projects program (now administered under the Remote Jobs and Communities Program).

Level of assistance provided

In 2013–14, the exemption threshold and deduction scheme concessions are estimated to have resulted in revenue foregone of $1.5 billion, and the exempt employees concession revenue foregone of $185 million. Data on assistance provided by firm-specific payroll tax concessions is not available.

In 2013–14, payroll tax concessions of $1.7 billion represented roughly 43 per cent of the revenue collected by the tax ($3.9 billion). Concessions represented 30 per cent of what might have been collected in the absence of the concessions (calculated as concessions/(concessions + revenue collected)). The actual percentage may be different given that revenue foregone estimates do not incorporate behavioural changes. The Henry Tax Review analysed actual payroll tax collections across states against what might have been collected using national accounts data on the compensation of employees. It found that around 43 per cent of employee compensation is exempt from payroll tax (Henry *et al.* 2009b, p. 298).

Table F.7 Level of assistance provided by payroll tax concessions ($ millions)

Cost	*2013–14*	*2014–15*	*2015–16*	*2016–17*	*2017–18*
Exemption threshold & deduction scheme	1480	1524	1570	1617	1698
Exempt employees	185	190	195	201	211
Firm-specific concessions^	na	na	na	na	na
Total concessions	1665	1714	1765	1818	1909
Payroll Tax collected	3914	3955	4073	4278	4537

Notes: ^ Information not available.

Sources: QT Information Return; and Queensland Government (2014k).

Policy background

From 1915 to 1942, income taxes were levied by both state governments and the Commonwealth Government. In 1919, the Commonwealth offered to withdraw from income tax as an alternative to providing grants to the states, but this option was rejected by some states.

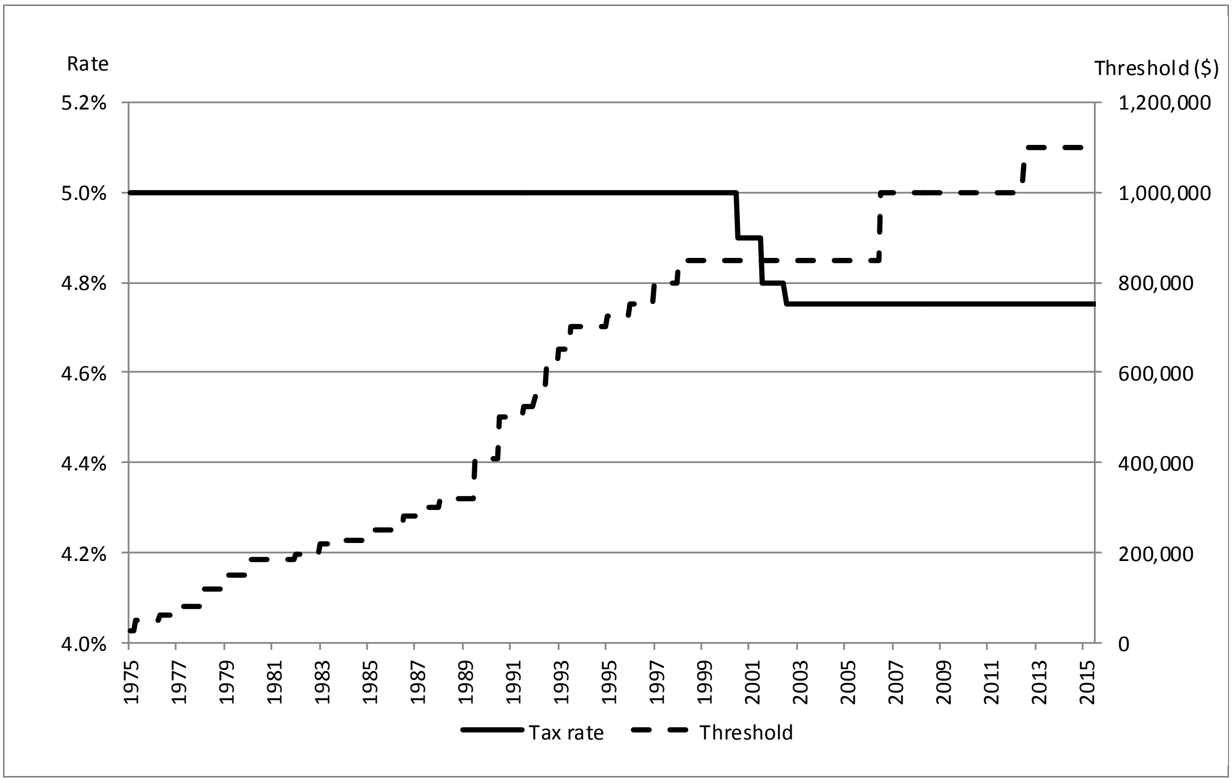
Payroll tax was initially introduced by the Commonwealth in 1941 to finance a national scheme for child endowment and was subsequently increased in the early years of World War II to meet the costs of the war effort. The Commonwealth effectively assumed full control of income tax from 1942, with the states unsuccessful in regaining access to income tax at the end of WWII.

State governments obtained control of payroll tax from the Commonwealth in 1971 with an offsetting reduction in Commonwealth grants to the states. At the time, payroll tax was imposed at a rate of 2.5 per cent with an exemption threshold of $20,800 per firm's annual payroll (Carling 2008, p. 7). Rates and exemption thresholds are now much higher:

> *The States immediately increased the rate of payroll tax in a coordinated fashion from the then prevailing 2.5 per cent to 3.5 per cent (September 1971), then to 4.5 per cent (September 1973) and, finally, to 5 per cent (September 1974). Since then, the States have increased their rates more or less independently. (Gabbitas & Eldridge 1998, p. 75)*

However, in more recent years state governments have implemented some rate reductions. For example, in the early 2000s Queensland reduced its rate of tax from 5.0 per cent to 4.75 per cent, where it remains today (Figure F.4). The exemption threshold level has continued to increase in Queensland in nominal terms from $800,000 in 1997 to $1.1 million.

Figure F.4 Queensland historical payroll tax rates and exemption thresholds



Sources: Office of State Revenue n.d.(a); and Gabbitas & Eldridge (1998).

While exemption thresholds remain high, states have broadened the base of payroll tax through broadening the definition of taxable wages to include a wider number of ways in which employees are compensated:

> *...there has been a gradual move towards greater harmonisation of the payroll tax bases. Tax bases have been progressively expanded over time to include some or all of fringe benefits, contractual or agency payments, lump sum payments of accrued leave on termination and employer contributions to superannuation. (Gabbitas & Eldridge 1998, p. 77)*

Further efforts to harmonise elements of payroll tax regimes, largely relating to the definition of the tax base, were agreed in 2007. Payroll tax harmonisation was endorsed and continued by the Council of Australian Governments as part of reforms to achieve a National Seamless Economy (Box F.7).

Box F.7 Harmonisation of state payroll tax regimes

On 29 March 2007, state and territory Treasurers announced a decision to overhaul payroll tax arrangements to achieve greater legislative and administration harmonisation across jurisdictions. As a result, the 2010 Protocol for Payroll Tax Harmonisation between jurisdictions was signed on 28 July 2010. Subsequently, Australian state and territory governments enacted legislation aligning payroll tax provisions in the following key areas:

- timing of lodgement of returns
- motor vehicle allowances
- accommodation allowances
- a range of fringe benefits
- work performed outside a jurisdiction
- employee share acquisition schemes
- superannuation contributions for non-working directors
- grouping of businesses.

Source: Payroll Tax Australia (n.d.)

Business groups have consistently lobbied for the abolition of payroll tax. The Australian Chamber of Commerce and Industry (ACCI) recently stated:

> *Of critical importance to ACCI is the abolition of state payroll taxes, combined with broader reform of state taxation. Payroll tax is levied by all States and Territories on businesses with remuneration above certain thresholds which vary by jurisdiction. Payroll tax is not only one of the most damaging taxes in terms of its impact on economic activity, but it is also one of the most insidious. Tax reform that takes as its objective reducing and ultimately abolishing payroll tax is necessary if Australian businesses are to remain competitive. (ACCI 2014, p. 1)*

Similarly, the Chamber of Commerce and Industry Queensland (CCIQ) has argued for the protection of the exemption threshold which it sees as vital to Queensland small businesses:

> *Importantly, CCIQ believes there is an overwhelming case for retaining the payroll tax exemption as it provides positive, widespread benefits and is a much needed measure to address current shortcomings of our taxation system. (CCIQ sub. 13, p. 2)*

Opposing these views are a set of arguments concerning the consequences for the economy from an inefficiently designed tax system. Payroll tax is a relatively efficient tax, at least in the absence of the exemptions which significantly narrow its base. It follows that reforms should focus on broadening the tax base and lowering the rate, rather than continuing to increase exemptions.

The underlying tax

The properties of the underlying tax are first discussed followed by an analysis of the individual concessions in relation to the tax.

Incidence of payroll tax

While the legal incidence of the tax falls on businesses, the economic incidence is shifted to consumers and workers:

> *This... illustrates the important distinction between economic incidence and legal incidence of taxation; in the long run, when wages have sufficient time to adjust, the economic incidence of payroll tax is borne by employees and customers, while the legal incidence falls on the employer.*

> *Companies are able to shift the tax burden backwards by reducing wages and possibly employment, or forwards to customers through increased prices. Reduced returns to shareholders is the third possible path of incidence although capital mobility makes this the least likely outcome. The way the tax burden is shared between employees, consumers and shareholders depends on the characteristics of the labour, product and equity markets. (Office of Financial Management (OFM) 1999, section 2.1)*

The Henry Tax Review supported the view that, at least in the long run, businesses do not bear the burden of payroll tax:

> *While businesses are legally responsible for remitting payroll tax, in the long run they are unlikely to bear the burden of the tax (in terms of returns to capital). (Henry et al. 2009b, p. 294)*

Payroll tax increases the cost of employing labour, and since there is continual pressure for labour prices to equate to the marginal cost of production, firms must pass this cost on. This will be either through higher consumer prices or decreased nominal wages.

In the modelling of payroll tax that was undertaken for the Henry Tax Review, firms pass the cost of the tax on in the form of higher prices. This, in turn, effectively reduces the real wage that labour (consumers) receive, and, in response, labour supply falls as reflected in the reduction in nominal labour income. This fall creates a shortage of labour that pushes up the wage at the margin that employers must pay. However, households' supply of labour has a low responsiveness to the after-tax real wage, and so the fall in labour supply is relatively small. Thus, the increase in the wage offsets only a small part of the initial increase in consumer prices, and labour is left to bear the main burden of payroll tax in the form of higher prices (KPMG EconTech 2010).

In the long run, the supply of capital is more mobile than the supply of labour: investment shifts more easily to other regions, states or countries than does labour. As a consequence, labour tends to bear the burden of tax rather than capital owners. But, in the short run, while the economy adjusts to a change in payroll tax, the burden or benefits of the change is more likely to be shared between consumers, workers and owners of businesses:

> *In the short run, the situation is not always as clear. Businesses demand labour so they can produce goods and services (to earn a return on capital), while workers supply labour in return for wage income. Who bears the burden of a rise in the payroll tax rate will depend on which factor (capital or labour) is relatively 'inelastic' - that is, which one has fewer options for avoiding the tax. (Henry et al. 2009b, p. 294)*

As businesses grow to the point where they are liable for payroll tax, the business may need time to adjust its cost structure to the tax and may make lower profits in the short run. If there is an unexpected cut in the rate of tax, businesses may earn additional profits briefly until competition causes prices to fall or wages to rise (Henry *et al.* 2009b, p. 294).

The fact that the legal incidence of payroll tax falls on businesses, and that businesses may either benefit or bear some of the burden of payroll tax changes in the short-run, helps to explain the perception held by many businesses that they bear the burden of the tax. While this is only partially correct in the short-run, the perception may be strong enough to have real impacts on business decisions, '...even though most of the economic incidence of payroll tax may not fall on employers, the illusion that it does may be so strong that it actually influences business behaviour' (Carling 2008, p. 6).

The economic incidence of payroll tax is also affected by exemptions (discussed later).

Efficiency of payroll tax

To the extent that payroll tax can be passed forward as higher prices, the net effect of the tax is comparable to a consumption tax. In competitive markets and in the absence of any distortions to costs and prices, consumption of a good or service occurs up to the point where the price of the good or service is just equal to its marginal benefit. A consumption tax increases the price of the good or service reducing demand. The efficiency loss comes from the fact that consumption is foregone that would have otherwise provided benefit to consumers.

To the extent that payroll tax can be passed backwards as lower wages, workers can either reduce work and take more leisure, or they can increase their supply of labour to attempt to re-coup lost wages. Estimates of the elasticity of labour supply with respect to wages indicate there is a modest reduction in labour supply from reduction in take-home wages. Workers would have preferred to work more hours, or accept a job, in the absence of the tax.

Payroll tax can distort production decisions and labour supply decisions. To the extent that the incidence of the tax falls on labour, the tax alters:

- the price relativities of capital versus labour, and thus has the potential to affect production decisions
- the work-leisure choice of employees (Gabbitas & Eldridge 1998).

Impacts on employment

The NSW OFM (1999) noted that when wages are flexible and the supply of labour relatively constant, falling demand for labour reduces wages, reducing the cost of labour. The cost to the employer does not change significantly but the employee's take-home wage decreases. The impact of the tax is on the employee's choice of hours worked rather than the company's choice between labour and capital in the organisation of its production processes. This means that, in terms of long-run impacts, the relative prices of capital and labour are not significantly changed so that labour demand is not impacted significantly from the substitution of capital for labour.

Payroll tax, like any labour tax, results in some losses in efficiency because it distorts employee's decisions concerning how much labour to supply. Empirical estimates indicate that labour supply does respond to changes in wages, but that the response is relatively inelastic (with elasticity estimates typically in the range of +0.06 to +0.14) (Gabbitas & Eldridge 1998, p. 102).

A broad-based payroll tax impacts on employment, but in the same way that a broad-based consumption or personal income tax does. A well-established finding of economic theory is that virtually all taxes impose costs on the economy including reduced employment (even after allowing for the impact of governments spending tax revenue) (OFM 1999). This is because taxes, in general, alter prices and distort consumer choices. However the long-term employment impact of payroll tax is very similar to that of other broad-based taxes. Therefore, payroll tax is no more a 'tax on jobs' than are taxes such as income tax or broad-based consumption tax.

The similar employment impact of payroll tax and personal income tax is another well-known result. The claim that replacing a payroll tax with income tax would boost employment contradicts one of the most fundamental principles of tax incidence analysis; taxes levied on different sides of the same transaction will have the same effect (in a competitive market).

Impacts on exporters

In the long-run businesses shift forward the burden of payroll tax to consumers through higher prices and/or workers through lower wages. In the case of exporters, some of the costs of payroll tax feeds into the costs of exports.

Exporters have little ability to influence world prices and may not be able to fully shift the burden of the tax to workers through lower wages. Nonetheless, the effect of payroll tax on export activity is similar to other government imposts which raise labour input costs:

> *The effect of payroll tax on export competitiveness is the same as the effect of any other labour-related input costs such as compulsory superannuation contributions, social security contributions, income tax and wages. Export industries, like all industries, are able to pass on*

some of the payroll tax burden in the form of lower wages. While the impact of passing on a tax as higher prices may be greater in export markets than elsewhere, the impact of payroll tax on export competitiveness is modest, especially when the exchange rate effect is taken into account. (OFM 1999, section 2.3)

It is not clear that the cost to competitiveness (of payroll tax) is any greater than would be the case if the payroll tax were to be replaced by a compensating increase in company tax or personal income tax. (Economic Planning and Advisory Council 1992)

The initial increase in labour related export costs reduces the level of exports leading to a deterioration in the trade balance. Reduced exports mean reduced demand for the Australian dollar and downward pressure on the exchange rate, which helps offset the tax impact on exporters' costs. A weakening exchange rate makes imports relatively more expensive which reduces demand for imports restoring the trade balance. The reduced demand for imports also means reduced demand for foreign currency, limiting the reduction in the exchange rate (OFM 1999, section 2.3).

Eliminating the exemption threshold also results in an expansion in export activity as the burden of payroll tax is partially shifted to other non-exporting industries which have a higher share of activity exempt from payroll tax (Box F.8).

Box F.8 Simulation of a broadening of the payroll tax base

Crowe (1996) used a general equilibrium framework to show that states could gain by unilaterally broadening their payroll tax base. A simulation of the removal of the NSW payroll tax-free threshold, accompanied by a revenue neutral reduction in the marginal payroll tax rate was modelled using the MONASH Multi-Regional Forecasting model (MMRF).

The results showed that in the short run, real NSW gross state product (GSP) is predicted to be 0.06 per cent higher than it would otherwise have been (more than $80 million in 1995–96 GSP). The predicted national GDP increase is 0.03 per cent or over $140 million in 1995–96 GDP. The results indicate that almost half of the additional activity occurs outside New South Wales. Private consumption expenditure, which can be used as a proxy for welfare, increases by 0.11 per cent in New South Wales and 0.04 per cent nationally. NSW employment is predicted to be 0.08 per cent higher than it would otherwise be. The increase in demand for labour is equivalent to 1700 full-time, person years in 1995–96 employment figures. The national employment increase of 0.05 per cent is equivalent to over 3000 person years.

As expected, the major source of growth in the NSW and national economies was exports. The payroll tax reforms have the short-run effect of shifting some of the tax from large exporting firms such as those in the mining industry, to smaller firms operating in 'domestic' industries, such as construction and personal services. In highly competitive export markets demand is assumed to be more price sensitive than in domestic markets. The competitive advantage gained by exporting firms from reduced payroll tax rates translates into a significant increase in export demand and a $14 million improvement to the national trade balance. NSW's international trade balance improves by $17 million. The increase in export activity more than offsets any losses caused by increased taxation on smaller domestic producers.

Consumer prices decrease relative to the nominal exchange rate by 0.10 per cent in New South Wales and by 0.04 per cent nationally over the short-run time frame. The decreases should be thought of as a once-off shift in prices rather than a decrease in the rate of inflation. The results are consistent with the hypothesis that broadening the payroll tax base, by abolishing the payroll tax-free threshold, would lead to an increase in output and employment.

In most cases the performance of individual NSW industries was consistent with the direct changes in the average payroll tax rate paid by each industry. Mining, public utilities and financial services all expand after receiving a significant reduction in their payroll tax bill. Agriculture, transport and communications and personal services decline due to the higher average payroll tax rates in those industries. Industries such as manufacturing, domestic trade and community services undergo virtually no change in their average payroll tax rate but all increase output and employment. The construction industry manages modest increases in output and employment despite an increased average payroll tax rate. Industry results at the national level display a similar pattern to the NSW results.

The MMRF results did not take into account the additional compliance and administrative costs from expanding the payroll tax base to cover small firms. Even if compliance costs are passed on to employees and consumers these costs represent a welfare loss that was not quantified.

The simulations were conducted over a short-run time frame. It is likely that over a long-run time frame some of the national benefits of the reform will disappear as wages and prices adjust. If, in the long run, increased demand for labour results in higher real wages rather than increased employment, some of the predicted additional output will not eventuate.

Source: Crowe (1996).

Estimates of the efficiency burden of Payroll Tax

The MEB and AEB of payroll tax was estimated at 41 cents and 22 cents per dollar of revenue raised, respectively (KPMG EconTech 2010). The estimates are higher than in earlier studies, such as, Gabbitas and Eldridge (1998) (up to 12 cents) and Han (1996) (with an MEB of 11 cents) (Box F.9). The main driver of the discrepancy in estimates is whether or not the non-uniform application of the tax (the major exemptions and concessions) is taken into account. That said, KPMG EconTech produced estimates of the MEB and AEB of income tax of 24 and 16 cents (in line with the literature). Given the extent of the exemptions applying to payroll tax, and the otherwise equivalence of the payroll tax and income tax, higher efficiency burden estimates for payroll tax are expected.

Simplicity and transparency

The major factors that affect taxpayers' compliance costs include:

- the complexity of calculating tax liabilities, for example, thresholds encourage taxpayers to rearrange their affairs so as to minimise their tax obligations
- the lack of clarity in legislation and the consequential need for external advisers
- staff time taken to ensure compliance for business operating in more than one State
- the degree of interstate harmonisation of tax bases and rates the extent of record keeping and systems requirements beyond normal management and accounting needs (IPART 2008).

Tax administration costs include:

- collecting the revenue, including maintaining and improving tax collection systems
- monitoring the tax regimes and advice to government
- educating and informing taxpayers
- processing returns and issuing assessments
- enforcement and debt recovery
- ancillary and support services.

Despite the harmonisation reforms of 2007, the Henry Tax Review found that payroll tax was particularly complex for businesses operating across states (Box F.10). The review found that exemptions introduce biases into the allocation of labour across the economy and lead to complexity in administration and compliance, particularly when the exemptions differ (even slightly) between states (p. 300).

Box F.9 Estimates of the efficiency burden of payroll tax

The QCA estimated the MEB of payroll tax based on the methods used in Gabbitas and Eldridge (1998). The model focuses only on the impact of the tax in one market – the market in which the tax is levied. The model does not take account of flow-on impacts.

The MEB estimates below indicate that the MEB is lower for those who are currently exempt (up to 9 cents per dollar of revenue) than it is for taxpayers falling just above the tax-free threshold (and subject to the deduction rate), or those subject to the maximum statutory rate (up to 12 cents for each dollar of revenue). The MEB of payroll taxes is substantially lower when the accompanying rate of personal income tax is less than the top marginal rate.

		Statutory tax rates		*Compensated elasticity*		*Cents per $ of revenue*	
Scenario	***Interaction***	***Qld Payroll tax rates (%)***	***Commonwealth personal income tax rates (%)***	***Demand***	***Supply***	***QCA MEB***	***Gabbitas & Eldridge 1998 MEB***
Max. statutory rate	Additive	4.75%	45.0%	–0.70	0.14	10	12
Max. statutory rate	Additive	4.75%	19.0%	–0.70	0.14	3	4
Tax-free threshold	Additive	3.96%	45.0%	–0.70	0.14	10	12
Tax-free threshold	Additive	3.96%	19.0%	–0.70	0.14	3	4
Currently exempt	Additive	0.00%	45.0%	–0.70	0.14	8	9
Currently exempt	Additive	0.00%	19.0%	–0.70	0.14	3	3

The estimates do not take account of the non-uniform application of Payroll Tax. The estimates are slightly lower as the current rate of payroll tax in Queensland is 4.75 per cent compared to the national average rate of 6.25 per cent used by Gabbitas and Eldridge.

Labour supply responses are generally considered to be inelastic. A demand elasticity of –0.70 (see table) means that a 10 per cent increase in the price of labour would lead to a 7 per cent reduction in the demand for labour. A supply elasticity of 0.14 means that a 10 per cent increase in the price of labour would induce an increase in labour supply of 1.4 per cent.

The elasticity estimates used for the updated estimates were those used by Gabbitas and Eldridge. However, the estimates were constructed based on national data, whereas a state acting unilaterally to alter the design of its payroll tax would likely find that the responsiveness of labour demand and supply were different. Gabbitas and Eldridge state that, 'For mobile tax bases, the elasticities faced by a single State acting alone would generally be larger than those for the nation as a whole, so the MEB calculations would generally provide a lower bound on the efficiency effects of acting alone....The impact of unilateral action may be better assessed using a general equilibrium framework'. As an illustration of the impact of altering elasticities on MEB estimates, a doubling of the elasticities (a demand elasticity of –1.4 and a supply elasticity of 0.28) results in a MEB estimate of 20 cents per dollar of revenue raised based on maximum statutory rates.

Source: Gabbitas & Eldridge (1998) and QCA estimates.

Box F.10 Payroll tax complexity

Employers face a number of complexities in complying with their payroll tax obligations.

The definition of wages for payroll tax purposes differs from that for income tax and workers' compensation.

Exempt employers must ensure they remain eligible for the exemption activity. Employers must continually identify the instances where an employee's wage, in whole or part, becomes exempt or ceases to be exempt, and move those wages into, or out of, the payroll tax calculation as required.

Businesses close to the threshold are likely to have to calculate their payroll amounts regularly to determine whether or not they have a liability to register for payroll tax.

Threshold exemptions require complex grouping rules that deem related entities to be one business for the purposes of the threshold. These rules are necessary to prevent businesses from taking advantage of the threshold by artificially splitting up their operations into a number of smaller entities.

When payroll tax became an own-source of revenue for the States, payroll taxpayers operating in more than one State were required to submit regular (usually monthly) payroll tax returns and payments to each State in which they employed people. With business increasingly operating on a national and global basis, around half of payroll taxpayers now employ in more than one State.

To prevent business from receiving a full threshold deduction in each State, the threshold deduction is applied in respect of the employer's total Australian wages, but the liability is calculated in respect of the wages paid to workers employed in that State.

Where an employee works in more than one State there are complex rules for determining which State receives the payroll tax.

In 1971 the States enacted uniform payroll tax legislation with a uniform tax rate of 2.5 per cent. Over the following years, that uniformity was gradually eroded as States changed their tax rates and thresholds, extended the base to include other forms of remuneration, introduced anti-avoidance measures and enacted specific exemptions and rebates in response to local revenue and taxation issues. Recently, through the Council of Australian Governments' 'national seamless economy' initiative, all jurisdictions have taken steps to harmonise their payroll tax legislation, which has resulted in harmonised legislation in most States. However, States still differ on the basis of thresholds and rates.

Many submissions to the Review have highlighted how the compliance costs for businesses with employees in several States are higher than necessary due to these complexities.

Source: Henry et al. (2009b, p. 299).

ACCI (2014, p. 5) raised concerns that payroll tax lacks transparency because it is a 'hidden tax':

> *Payroll tax is not only one of the most damaging taxes in terms of its impact on economic activity, but it is also one of the most insidious given its low level of visibility. Few employees are aware that they bear the economic incidence of a "hidden income tax" and unlike Australia's progressive income tax system little is known about the distributional impact of payroll tax. Similarly, consumers are well aware of the 10 per cent GST they pay on most goods and services but for the most part have virtually no knowledge about the extent to which prices are affected by the burden of payroll tax.*

Poor transparency can have a number of consequences:

- taxpayers do not understand the amount of tax they pay
- there is reduced pressure from the public on governments to control expenditure

- the reduced pressure results in a higher incidence of wasteful expenditure
- the reduced pressure results in taxes higher than otherwise with implications for economic distortions.

IPART's review of NSW payroll tax considered that the tax was relatively transparent, in the sense of being transparent for the businesses liable for the tax, but noted that the economic incidence of the tax was not transparent (IPART 2008, p. 58).

Distributional impacts

IPART (2008) considered that payroll tax was not particularly equitable either in terms of horizontal or vertical equity:

> *Payroll tax does not rate highly in terms of vertical equity. While the legal liability for payroll tax falls on employers, in the longer term it falls on employees and consumers without reference to their ability to pay or to their individual financial circumstances.*
>
> *Payroll tax does not rate well in terms of horizontal equity because of concessions and tax free thresholds. Analysis of payroll data shows that there is a bunching of firms just below and just above the threshold. Thus some firms pay payroll tax, while others do not despite there being little difference between the firms. (IPART 2008, p. 57)*

The modelling results presented in Chapter 6 showed that reductions in payroll tax have widely varying impacts across industries. To the extent that the geographic location of industry activity varies by industries, payroll tax will also have varying impacts across Queensland's regions.

Exemption threshold concession

Rationale

The exemption threshold exempts businesses below the threshold from the obligation of paying payroll tax. A number of rationales have been given for the exemption threshold:

- Given the large number of small firms, the inclusion of small businesses within the base would significantly increase tax authority administration costs and total business compliance costs.
- The inclusion of small firms would reduce the ratio of revenues collected to the costs of revenue collection. Administration and business compliance costs are both characterised by 'fixed costs': there is some degree of economies of scale in collection and business compliance. For tax administrators this means that a lowering of the threshold to include small businesses increases administration costs at a faster rate than revenues. For businesses, it means that the burden of compliance is proportionally larger for small businesses compared to medium and large businesses.
- Small businesses have some 'special' role to play in the generation of employment opportunities and economic growth.

Distribution of businesses by size

The distribution of businesses by size is highly skewed towards small businesses. As at June 2013, there were 614 employers in Queensland who employed more than 200 employees. In comparison, there were 147,770 small businesses employing one to 19 employees, or 92.9 per cent of all employing businesses in Queensland (Table F.8). The small business share in employing businesses for Queensland is similar to that for Australia as a whole at 93.3 per cent.

Table F.8 Count of businesses by state and size, all industries (June 2013)

All industries -	*Non Employing (#)*	*1–19 Employees (#)*	*20–199 Employees (#)*	*200+ Employees (#)*	*Total Employees (#)*	*1–19 Employees share (excl. Non-employing) (%)*
New South Wales	406,345	265,544	15,553	1,324	688,766	94.0%
Victoria	328,452	196,897	12,479	939	538,767	93.6%
Queensland	255,408	147,770	10,631	614	414,423	92.9%
South Australia	92,696	47,037	3380	187	143,300	93.0%
Western Australia	134,513	74,514	6494	417	215,938	91.5%
Tasmania	22,429	13,975	1050	75	37,529	92.5%
Northern Territory	8553	5095	578	18	14,244	89.5%
Australian Capital Territory	14,569	9917	760	52	25,298	92.4%
Currently unknown	1282	70	9	0	1361	88.6%
Total	1,264,247	760,819	50,934	3626	2,079,626	93.3%

Source: ABS (2014c).

The exemption threshold corresponds to roughly 15 full time equivalent employees, based on Queensland average weekly earnings for 2012–13 of $74,381 annually. The threshold is set at a level such that only a small percentage of Queensland businesses are liable for payroll tax.

The highly skewed distribution of businesses by size means that changes to the level of the exemption threshold will not have major impacts on the revenue collected until the threshold approaches a low level.

Administration and compliance costs

The Queensland Chamber of Commerce and Industry (QCCI) (1996) estimated the average compliance cost for Queensland businesses of various taxes (Table F.9). As discussed in Gabbitas and Eldridge (1998, p. 49), payroll tax compliance costs were found to be relatively high:

> *The QCCI found that payroll tax had the highest average compliance costs of all State taxes and was second only to Commonwealth company tax... It found that Queensland firms spend on average $4 650 and 43 hours in complying with the tax. This was considerably higher than the other two State taxes considered in the survey — stamp duties ($1 184) and BAD tax ($508). No attempt was made to decompose stamp duties into the individual taxes.*

Table F.9 Survey of results of taxation compliance costs, average cost per firm, Queensland

Tax	*Jurisdiction*	*Average compliance costs ($)*
Company tax	Commonwealth	20,217
Payroll tax	State	4,650
Provisional tax	Commonwealth	4,513
Sales tax	Commonwealth	4,425
Capital gains tax	Commonwealth	4,055
Fringe benefits tax	Commonwealth	4,041
Pay as you earn (PAYE) tax/group tax	Commonwealth	3,659
Superannuation guarantee charge	Commonwealth	3,336
Customs & excise duty	Commonwealth	1,777
Stamp duty	State	1,184

Source: QCCI (1996, p. 4).

While the survey data is dated, it is consistent with some other studies that have found high compliance costs for payroll tax:

> *There are some concerns that Payroll Tax imposes high compliance costs. Lignier and Evans (2012) found that the average time that small businesses spent on Payroll Tax annually had increased by almost twofold during the period 1995–2010. This suggests that compliance costs for the Payroll Tax system have increased in recent times, and is in line with the consensus that compliance costs are not decreasing. This finding merits further investigation given the integration of Payroll Tax into accounting software, national harmonisation of Payroll Tax and electronic remittance. (Synergies Economic Consulting 2014, p. 4)* [29]

The NSW OFM (1999) stated that payroll tax's administrative cost has been estimated at about 0.2 per cent of payroll tax revenue which compares favourably to other state and Australian Government taxes. The compliance cost of payroll tax is estimated at about 3.6 per cent of total payroll tax revenue, significantly less than Australian Government taxes such as personal income tax (10.8 per cent), company tax (22.9 per cent) and Fringe Benefits tax (10.6 per cent). Payroll tax's administrative and compliance cost may be low because the tax is levied on relatively few firms (due to the tax-free threshold that exempts most firms) and because a company's payroll is simple to calculate.

The administration and compliance cost rationale may support the existence of a threshold, although not necessarily the level at which the current threshold is set. Set at a very low level, or at zero, some small businesses will face compliance costs equal to or greater than the revenue collected.

Given that the purpose of payroll tax is to fund government expenditure, the revenue foregone from the threshold needs to be considered within the broader context of the efficiency of the overall tax system.

[29] Lignier and Evans used a web based questionnaire to survey ‘small’ businesses in 2010 in all states and territories that advertised on the internet. Definitions of ‘small’ business can differ. In the Lignier and Evans sample only 17 per cent of businesses had an annual turnover under $1 million compared to 87 per cent in the general Australian business population. In other words, most survey respondents were large enough to be paying payroll tax (depending on the various threshold levels applying across states).

Role of small business

The exemption threshold is sometimes justified with reference to arguments about the role of small business in economic growth. Some arguments include:

- encouraging market entry: taxing small businesses may reduce the likelihood of new (small) firms entering the market, reducing competition and innovation in product markets, leading to inefficient production
- seedbed role: most big businesses start out as small businesses. It is argued that small business is the birthplace of successful big businesses
- innovation: it is sometimes argued that the small business sector plays a vital role in the area of innovation. Reduced bureaucracy and flatter management structures allow small firms to quickly adapt to markets and take advantage of new opportunities (OFM 1999, section 3.2).

With a low threshold or the absence of a threshold, there are concerns that payroll tax would have a disproportionate impact on small businesses:

> *An often stated rationale for the adoption of specific small business tax regimes is that small businesses face inherent disadvantages. The primary disadvantage is that the costs of complying with tax and other regulatory burdens fall disproportionately on small businesses with fewer staff and less expertise and time to deal with multiple and changing rules. In view of this argument, but also because of the political power of the small business lobby, small business has long enjoyed favourable tax policy treatment. (Lignier & Evans 2012, p. 621)*

The argument that taxation damages small business employment and growth is not in itself a rationale for preferential treatment being given to small businesses.

Taxation can have the consequences identified, and can impede innovation and growth, but taxes also have significant impacts when applied to medium and large enterprises. While compliance costs may be proportionally more for small businesses, the impacts of taxes concern all businesses.

Small business exemptions mean that some other business, activity or someone else is taxed at a higher rate. This breaches the principle of a tax system's neutrality and results in increases in the excess burdens of the tax system.

Efficiency impacts of the exemption threshold

While a case based on administration and compliance costs can be made for the existence of some level of exemption threshold, thresholds also impose economic costs. A tax may have a high excess burden due to its inherent nature (its efficiency properties even if it is implemented as theoretically pure as it can be) or because it is implemented in a non-uniform way (as a result of discretionary policy decisions).

An exemption threshold treats businesses differently depending on the firm characteristic of size, and, although it may apply to many industries, is selective reducing the neutrality of the tax system. Different types of distortions can arise from the non-uniform application of a tax, for example:

> *Complexity and non-neutralities in the payroll tax regimes of Australian jurisdictions can have pervasive effects on competition through their effect on the locational decisions of firms. The payroll tax threshold also negatively affects employer's decisions to expand business operations and increase wages and employment as they approach the threshold for liability. The effect of the threshold operates as an incentive to keep businesses inefficiently small. (ACCI 2014, p. 4)*

The narrowness of the tax base caused by the thresholds and exemptions affect economic efficiency through a number of mechanisms.

Impacts on competition

The exemption threshold provides a cost advantage for smaller firms over larger firms.

Exemption thresholds create distortions that result in reduced output and employment. When all businesses are taxed at the same rate the companies that produce at the least cost can charge the lowest price and survive in the market. Labour and capital is allocated to the most efficient operators and production is maximised. When businesses are taxed at different rates less efficient operators are able to sell at an artificially low price, due to their preferential tax treatment. The result is that those firms receiving preferential tax treatment are allocated a greater share of the economy's resources, resulting in reduced output.

Distortions to small business growth

The threshold provides a disincentive for some firms to expand in size beyond the threshold where they become subject to payroll tax liabilities. The more that businesses are able to shift the burden of the tax to consumers and/or workers, the less significant will be the distortion. The deduction scheme should reduce the impact of this distortion (discussed later).

CCIQ considers that payroll tax compliance acts as a direct disincentive to employers expanding their workforce above the payroll tax threshold, and that many small businesses are presently structuring their workforces to sit just under the threshold including through the use of subcontracting (CCIQ 2015).

Rent-seeking

The existence of exemptions encourages continued inefficient rent-seeking activities on the part of taxpayers. Exemptions provide businesses:

> *...with a very real incentive to divert otherwise productive resources into lobbying state governments for such an exemption. They also provide companies an incentive to play state governments off against each other, seeking the most favourable exemption possible. (Gabbitas & Eldridge 1998, p. 98)*

Higher marginal rates of tax

The distortion caused by the threshold can be significantly amplified due to the likelihood that an exemption results in a higher marginal rate of tax being applied in order to achieve a given public financing requirement.

Employment distortions

A narrow-based tax may distort the composition of employment, as some employees are likely to leave businesses that pass on the additional cost to employees. These employees may move to tax exempt businesses that can potentially pay higher wages. Exemptions therefore introduce biases into the allocation of labour which may result in labour not be directed towards its highest value uses.

It is likely that all workers, not just those in businesses remitting payroll tax, bear the tax burden through lower wages (Freebairn 2009):

> *In the long run, businesses will pass the burden of payroll tax onto workers, so some workers are likely to leave businesses that remit payroll tax and seek higher wages in businesses that do not. The influx of workers trying to get jobs in the exempt sector means that such businesses will not have to pay as much to attract workers. This means that workers in untaxed businesses receive lower income than they would have otherwise, effectively sharing the payroll tax burden...In effect, the narrow-based payroll tax is a tax on all workers, but one that is levied in a very inefficient way because it pushes into the untaxed sector some workers who would be more productive in the taxed sector. This implies a decline in average labour productivity, reducing national income. (Henry et al. 2009b, p. 295)*

A narrow-based payroll tax will:

- reduce wages for all workers in an economy. The burdens of the tax will be shared by workers in the taxed and the untaxed sectors

- change the composition of employment moving some workers away from jobs where they would be more productive (in the absence of the tax) (Henry *et al.* 2009b, p. 297).

The incomplete coverage of types of remuneration in the base provides incentives for firms to change the way employees are reimbursed, or in which state to produce, to reduce tax liabilities. Over time, state governments have expanded the definition of taxable wages to capture a wider range of ways in which employees are remunerated.

Reduction in exports

Exemption thresholds reduce economic output in the short term by concentrating the tax on exporting firms (there is a positive correlation between payroll size and exports). An established finding of public finance is that in order to minimise the distortion of a tax, commodities with demand that is less price sensitive should be taxed more heavily than commodities with demand that is more price sensitive. If export markets are more price sensitive than domestic markets — Australia is in effect a price taker — then the threshold system will create a distortion between large and small firms.

Tax competition

While tax competition between Australian states provides important benefits, it may also have contributed to the increase in exemption threshold levels over time:

> *The rapid expansion of payroll tax-free thresholds in Australia is partly due to the competitive pressures of Australia's federation. Competition between states to attract investment has led to the increased use of payroll tax exemptions either through tax-free thresholds for small firms or through 'incentive packages' for large businesses looking to relocate to a particular state. (OFM 1999, p. 23)*

KPMG EconTech (2010) noted the potential for a downward bias in its excess burden estimates as the modelling could not take account of the differences between states in their tax regimes and the potential distortions to a firm's choice of location.

Magnitude of the distortions from the exemption threshold

KPMG EconTech considered that their estimate of a high excess burden for payroll tax was driven primarily by the narrowness of the payroll tax base. Modelling indicated that a uniform payroll tax was significantly more efficient than the existing tax, with an average efficiency burden of 13 cents (compared to 22 cents). The non-uniform application of payroll tax was argued to raise the excess burden for two reasons:

- The threshold reduces tax collections, making the average rate of payroll tax less, without affecting the marginal rate for businesses above the threshold. While businesses decisions to employ an extra person are affected by the higher marginal rate of tax, government revenue is determined by the lower average rate of tax on the total wage bill. Thus, while the revenue raising ability of payroll tax is undermined, little is done to reduce disincentive effects. This leads to a high excess burden.
- The payroll tax threshold distorts business size choices, so businesses will be inefficiently small, increasing per unit costs of production and welfare losses (KPMG EconTech 2010, pp. 62–63).

There is no Queensland data on business size available at a sufficiently disaggregated level to allow direct observation of a 'clumping effect' of small businesses just below the exemption threshold.

Simplicity and transparency

The exemption threshold simplifies payroll tax for the vast majority of Queensland businesses because they do not pay the tax. There is a significant reduction in aggregate tax administration and business compliance costs (although the efficiency losses would outweigh these 'avoided costs').

The exemption threshold also further reduces the transparency of the underlying tax (already weak on this criteria).

As discussed earlier, few employees would be aware that they bear the burden of payroll tax even where they are aware of the existence of the tax. The finding that all workers, not just those employed by payroll tax remitting businesses, bear the burden through lower wages further reduces the transparency of the tax. If workers in businesses liable for payroll tax are generally unaware that the burden is shifted to them, then workers in the much larger number of businesses not subject to payroll tax would be at least equally unaware.

Deduction scheme concession

Rationale

There is a risk that the exemption threshold provides a disincentive to business growth as the size of a small business nears the minimum threshold size. In the absence of the deduction scheme, a business with taxable wages of $1 million may consider whether a marginal project, which would require hiring of a number of additional employees bringing taxable wages marginally above the threshold of $1.1 million, is worthwhile to undertake given the additional tax related costs that the business will face. These costs include compliance costs and, arguably, the burden (or perceived burden) of the tax itself.

The rationale for the deduction scheme is to address and reduce the disincentive to business growth from incremental increases in the size of businesses. A business considering a new project which would take its taxable wages from below $1.1 million to greater than $5.5 million would need to consider the full additional costs of becoming liable to payroll tax irrespective of the deduction scheme. However, the same business considering a new project which would take taxable wages from below the threshold to, say, $2.0 million, would face a smaller incremental increase in costs. The increase in compliance costs would be similar (given the fixed cost nature of compliance costs), but the rate of tax paid would be less. As compliance costs are already being incurred by the business, any additional cost from further increases in business size is driven by the gradual ratcheting-up of the rate of tax until the maximum rate of 4.75 per cent is reached.

Efficiency

The phase-in is meant to reduce the distortion to small business growth by reducing the size of the change in tax liability facing a small business from an incremental increase in taxable wages. The scheme should reduce at least a portion of the efficiency burdens from the non-uniformity of payroll tax. This is supported by other payroll tax rules which seek to eliminate the ability of businesses to avoid the tax by adopting alternative business structures (e.g. splitting a larger business into two businesses), although this adds to administrative complexity.

Simplicity and transparency

The deduction scheme increases the complexity of payroll tax for businesses and tax administrators. To help minimise these costs the Office of State Revenue makes available online tools and information to assist businesses (e.g. calculators to help businesses estimate their tax liability).

The deduction scheme does not impact on the transparency of the underling tax.

Exempt employees concession

Rationale

The rationale for excluding the wages of certain categories of employees from the definition of taxable wages for the calculation of payroll tax liability is to reduce the cost of hiring these employees compared to a situation where payroll tax is applied. This recognises that businesses adjust their demand for labour — hire more or fewer employees — depending on the price they have to pay for that labour. 'Price' includes the risks associated with hiring new, unskilled employees as well as supervision and other costs. It also implicitly recognises that there are a range of government regulatory and other interventions which unintentionally impede the hiring of labour.

There is a clear problem caused by taxation and other government interventions in the labour market that the concession addresses.

Efficiency

In making a decision to employ, the price or cost of labour is considered against the contributions that the employee will make to the profitability of the business. Taxes which raise the cost of hiring will result in fewer people being hired with those missing out on job opportunities more likely to have lower skill levels (those with the lowest marginal products relative to their prices). The tax induced distortions to the price of labour — which results in a wedge between the price of labour and its marginal product — are on top of problems created by centralised wage determination through the system of awards. However, some of the assistance provided by the concession will benefit (be captured by) businesses, rather than benefiting exempt employees.

Reform directions

Australian tax reviews have recommended reforms to payroll tax centred around the removal or reduction of thresholds and exemptions.

The Henry Tax Review recommended that state payroll taxes should be replaced with more broad-based taxes that more efficiently capture the value-add of labour:

> *Recommendation 57: State payroll taxes should eventually be replaced with revenue from more efficient broad-based taxes that capture the value-add of labour. (Henry et al. 2009b, p. 301)*

Examples of such taxes are a broad-based wages tax or a cash flow tax.

Gabbitas and Eldridge (1998) suggested that payroll tax be replaced by a state-based surcharge on income tax or a share of Commonwealth value-added taxes (GST reforms occurred after the report). They also demonstrated that the rate of payroll tax could be reduced to a very low level if exemptions were eliminated, while still generating the same level of revenue.

IPART's review of NSW payroll tax provided both longer and shorter term reform options within the context of improving the efficiency of the current tax system:

> *IPART considers that in the long term, there is a strong case to reduce the payroll tax rate to a level similar to that in Victoria and Queensland (eg, around 5 per cent). This would neutralise any adverse locational incentives and remove relative cost disadvantages of businesses operating in NSW. In the short to medium term, there is scope to broaden the payroll tax base to enable both a reduction in the tax rate to a more competitive level and a contribution to improving overall efficiency. (IPART 2008, p. 98)*

IPART considered three options for the shorter term reform of payroll tax:

- 'clawing back' the tax free threshold (similar to Queensland's deduction scheme) and reducing the tax rate by a modest amount
- reducing the tax free threshold and reducing the tax rate by a modest amount. IPART suggested reducing the threshold to $500,000, which would cover approximately 10 per cent of NSW businesses at the time
- reducing the current set of exemptions.

Reducing the tax free threshold and exemptions would broaden the base of payroll tax. The reduction in the threshold was recommended for both equity and efficiency reasons:

> *IPART supports indexation of the payroll tax free threshold as this maintains a constant value of the threshold in real terms, avoiding taxation by 'bracket creep'. However, IPART believes that the appropriate value of the threshold needs to be determined before it is indexed. IPART considers that there are compelling equity and efficiency grounds for having a lower level of the threshold. (IPART 2008, p.100)*

Summary

The exemption threshold cannot be justified purely in relation to the ratio of revenues collected versus the resources consumed in tax administration and business compliance. The threshold concession significantly narrows the base of payroll tax reducing the efficiency of the tax.

There is a sound rationale for both the deduction scheme and exempt employees concessions and the concessions should be maintained. However, an alternative to the exempt employees concession, which would also address concerns about the level of supply of employment opportunities for apprentices and trainees, would be to more directly address regulatory and other government policies which raise the cost (including risks) of employing unskilled labour.

The exemption threshold worsens the transparency of payroll tax. However, even a broad-based payroll tax will still have the transparency problems discussed earlier because there are differences between the legal incidence of the tax and the economic incidence.

Casino tax concessions

In 2013–14, the Queensland Government raised $1048 million in revenue from gambling taxes (Table F.10). Gaming machine tax raised the most revenue at $608 million, and casino tax raised $83 million. Casino tax includes a tax on:

- revenue from tables, Keno and fully automated table games (FATGs). It does not include revenue from gaming machines which is subject to the gaming machine tax.
- 'junkets' — sS85a of the Act defines a 'junket agreement' as an agreement entered into by a casino operator, with the approval of the Minister under section 84, with another person (the promoter) under which: the promoter arranges for a group of persons to visit the casino to participate in gaming; and the casino operator pays the promoter a commission.

Table F.10 Gambling taxes ($ millions)

Gambling taxes	*2013–14*	*2014–15*	*2015–16*	*2016–17*	*2017–18*
Gaming machine tax	608	629	651	674	698
Health Services Levy	52	55	58	62	66
Lotteries taxes	243	250	257	265	273
Wagering taxes	40	41	42	44	45
Casino taxes and levies	83	85	88	90	93
Keno tax	23	24	25	26	27
Total gambling taxes and levies	*1048*	*1084*	*1122*	*1161*	*1201*

Note: Based on 2014–15 Budget data. More recent data from MYEFR does not include a breakdown of gambling taxes.

Source: Queensland Government (2014j).

There are four hotel-casinos in operation in Queensland (Table F.11). Each of the casino licensees has entered into a separate Casino Agreement with the government for each hotel-casino operation. The

Casino Control Act 1982 provides that the government may grant licences for the operation of a hotel-casino in Queensland.

Tax rates differ by type of gambling: normal play, junket revenue and electronic gaming machines (EGMs). The casinos also pay a quarterly license fee to the government.

The casino tax concessions include concessions under both casino taxes and the gaming machine tax[30] for the four casinos. The concessions reduce the tax liability for:

- the Cairns and Townsville casinos by applying a concessional tax rate of 10 percentage points to gross revenue from standard transactions in the casinos. The tax rate applicable to gaming machines in casinos is 30 per cent of gross revenue in Brisbane and Gold Coast casinos and 20 per cent in the Cairns and Townsville casinos
- all Queensland casinos by applying a concessional tax rate of 10 per cent to revenue from high rollers.[31]

Table F.11 Casino tax rates

Casino	*Commenced operation*	*Licence fee (per quarter)*	*Casino Tax rate*
Jupiters Casino Gold Coast	1985	$222,000	20% on normal play (tables, Keno and FATGs) 10% on junket revenue 30% on Electronic Gaming Machine (EGM) play
Jupiters Townsville Hotel and Casino	1986	$222,000	10% on normal play (tables, Keno and FATGs) 10% on junket revenue 20% on EGM play
Jupiters Treasury Casino (Brisbane)	1995	$222,000	20% on normal play (tables, Keno and FATGs) 10% on junket revenue 30% on EGM play
Reef Casino Cairns	1996	$222,000	10% on normal play (tables, Keno and FATGs) 10% on junket revenue 20% on EGM play

Notes: Office of Liquor and Gaming Regulation (n.d.).

Level of assistance provided

In 2013–14, the concession resulted in revenue foregone estimated at $9.5 million (Table F.12)

[30] The gaming machine tax concession included in the Tax Expenditure Statement for licensed clubs is out-of-scope of an industry assistance measure as recipients of the concession are not-for-profits. The concession for clubs represents the lower rate of tax applied relative to what hotels pay.

[31] In practice, a GST credit is provided to casinos that approximates a reduction in the state applied tax rates of 9.09 percentage points (this treatment originated from the 1999 IGA which introduced the GST and abolished a range of state taxes).

Table F.12 Level of assistance provided by casino tax concessions, ($ millions)

Cost	*2013–14*	*2014–15*	*2015–16*	*2016–17*	*2017–18*
Revenue foregone	9.5	9.8	10.1	10.4	10.7

Notes: The benchmark tax base is assumed to be all casinos operating in Queensland. The benchmark tax rate is assumed to be the highest tax rate that is actually applied in each financial year. A tax rate of 20 per cent of gross revenue applies for standard transactions in the Brisbane and Gold Coast casinos.

Source: QT Information Return.

Rationale

Governments regulate gambling for a range of reasons:

- obtaining the benefits of gambling for consumers and others through legalised supply
- dealing with the vulnerabilities of consumers and communities arising from legalised gambling, and problem gambling specifically
- ensuring the probity of suppliers[32]
- raising tax revenue
- meeting community norms (PC 2010b).

Rationale for gambling-specific taxes

A range of taxes apply to casinos:

- Queensland Government gambling-specific taxes and license fees
- the Australian Government GST on domestic gambling expenditure, which is returned to state and territory governments
- corporate income tax.

As with other taxes, the basic rationale of taxation is to raise revenue to fund government expenditure.

For the large majority of gamblers, gambling is simply consumption spending comparable to spending on any other leisure activity. In this case, the principle of neutrality suggests that gambling should be subject to the GST, and other taxes which are common across industries.

There are a number of reasons why gambling might be taxed at a higher rate than under the GST:

- An optimal taxation approach is adopted based on differential product taxation. In this case, gambling would be taxed at a higher rate because gambling demand is unresponsive to changes in its price (i.e. a Ramsey pricing rationale).
- Various negative externalities are associated with gambling, even if only for a minority of gamblers, although, as noted above, demand is relatively inelastic. Even so, it is possible that the higher rates of tax may achieve some reduction in gambling activity. The higher rates of tax seek to internalise into the price of gambling some of the external costs of gambling. Tax revenues might be hypothecated to expenditure programs addressing some of the social problems of gambling

[32] A long-standing basis for government involvement has been concerns about the probity of games (‘rigged’ games), suppliers (organised crime) and gamblers (money laundering), with the ultimate objective being protection of consumers and discouraging criminal behaviour. (PC 2010b, p. 3.5)

- the extraction of economic rent from the granting of monopoly. Exclusivity arrangements can lead to the creation of economic rents. In exchange for the restrictions, government applies a higher rate of tax expropriating a portion of, or possibly all of, the economic rent.

Economic rent and taxation

For casinos, economic rent is derived from the exclusive arrangements granted to casino operators:

> *Gambling businesses are able to earn economic rent only because State governments restrict the supply of gambling services. Capturing economic rent is the most compelling reason for imposing special taxes on gambling services.*
>
> *In theory, all economic rent accruing to the gambling business could be taken in tax without reducing the supply of gambling services, but in practice uncertainties in estimating the magnitude of the available rent suggest that a lower tax rate should be adopted.*
>
> *A simpler step to reduce the efficiency costs of gambling taxation would be to abolish gambling taxes on gambling businesses that operate in competitive markets. (Henry et al. 2009b, p. 462)*

While the creation of economic rents is not a sound rationale for exclusive gambling arrangements, other rationales for restrictions may provide net benefits and also result in economic rents (inadvertently). Where this is the case, the tax system design principle of efficiency provides a sound rationale for the extraction of the rents:

> *It is less clear, however, that constraints on competition and supply intended to underpin significant licence fees (such as those that apply to casinos, or until 2012, the duopoly arrangement for EGMs in Victoria) are warranted... That said, where supply is constrained for other reasons (such as reducing problems associated with gambling) and where price controls are not feasible or desirable, there are arguments for governments to set licence fees to extract the excessive profits that would otherwise be earned by commercial operators. (PC 2010b, p. 3.6)*

Economic rents provide an efficient tax base as their taxation does not alter investment plans:

> *Government restrictions on the supply of gambling services, implemented through licensing regimes, mean that some gambling businesses earn economic rent. Economic rent is an efficient tax base and should generally be appropriated by the government, through either licence fees or taxation on player loss or turnover.*
>
> *In theory the government could appropriate 100 per cent of the economic rent without changing the amount of gambling services that companies would be willing to supply or the price to consumers. This is because — even if all the rent were taxed away — companies would still make normal profits; that is, they would receive enough gambling revenue to cover their costs and offer investors an adequate rate of return on their investment. (Henry et al. 2009b, p. 458)*

Expropriation of a significant share of the rents generated can imply a rate of taxation greater than the uniform rates applying under other taxes.

A tax on economic rent is illustrated in Box F.11.

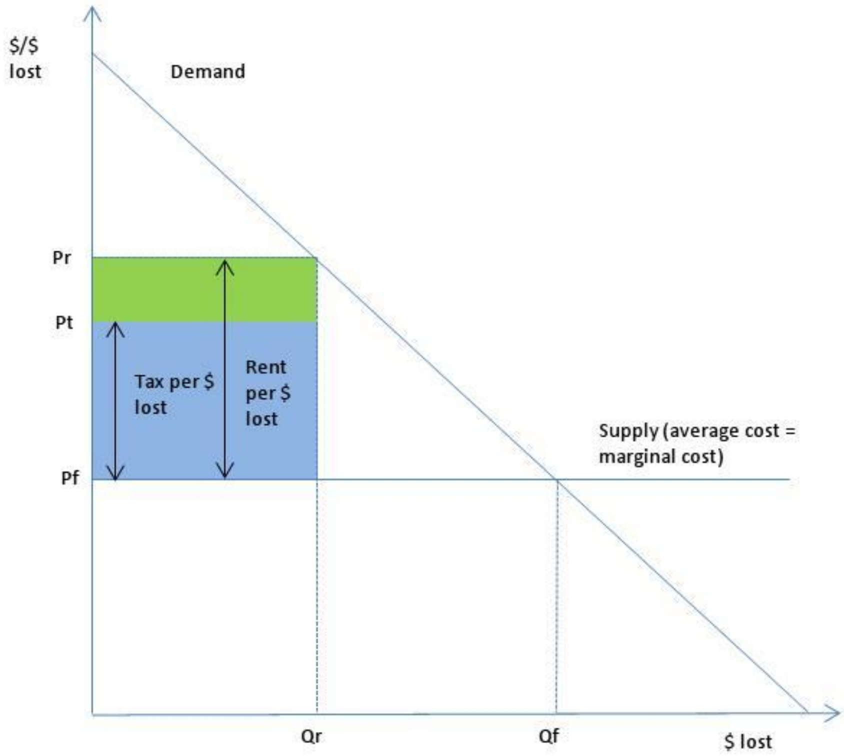
Box F.11 Taxing economic rent

Auction and tax

The approach of a number of governments in combining a tax regime with the auction or tender of licences, is one method of ensuring that the government collects potential windfall gains. It is difficult to determine the exact level of profits resulting from restrictions on competition so it is hard to set a tax rate that would exactly collect this excess profit. Auctioning licences in association with a well defined tax regime, allows the market to determine the value of the licence and helps ensure that any expected windfall gains or excess profits are transferred to government.

A rent tax

The chart below illustrates a gambling rent tax that seeks to appropriate the economic rent generated by regulatory restrictions on the supply of gambling services. It is assumed that the cost of providing the service is the same for each dollar that gamblers lose.



P_f per dollar lost constitutes the normal return to the gambling business, that is, the player loss ratio it would need in order to make a normal profit in a competitive market. The restriction of supply to Q_r would create economic rent equivalent to the sum of the shaded and crosshatched areas. If licences were allocated at no cost to the licensees and if no gambling taxes were imposed, licensees would keep the whole of this rent. In theory the government could appropriate the whole of the rent by imposing a tax of P_r — P_f per dollar lost. In practice it is difficult for the government to estimate the amount of the rent.

So a lower tax rate of P_t — P_f would allow the government to recoup most of the economic rent without running the risk of overtaxing gambling services. A rent tax could be adopted as the sole means of appropriating economic rent. Alternatively, governments could auction licences and then use a rent tax to appropriate any additional rent.

Source: PC (1999, p. 19.25); and Henry et al. (2009b, pp. 464–5).

Rationale for the casino tax concession

Problem gambling

A 'problem gambling' rationale for the casino tax concessions appears weak.

The casino tax concessions result in tax rates for the regional casinos which are lower than for the casinos in south east Queensland (SEQ). This means that, in the local economies outside SEQ, the relative prices of gambling and substitutes to gambling are more similar - tax distortions are less than in SEQ. This might lead to an expectation that demand for gambling is reduced in SEQ to a greater extent than in the regional economies, because the distortions to relative prices for alternative consumption choices is greater in SEQ. If the social costs of problem gambling were greater in the SEQ, and taxes were effective in addressing the problems, then there may be a sound rationale for higher tax rates in SEQ.

However, there are impediments to using taxes to address the costs of problem gambling. In addition, the rationale requires problem gambling to be a proportionally larger problem in SEQ, which may or may not be the case.

The 'price' gamblers pay for casino services is the theoretical win resulting from the house advantage on the games on offer. This complicates the use of tax policy as an instrument to address problem gambling because taxes and prices are not always transparent to the gambler (Box F.12).

Box F.12 The 'price' of gambling and responsiveness of problem gamblers

Taxes are unlikely to be an effective way of reducing the costs of problem gambling. To the extent that existing gambling taxes recoup economic rent they do not affect the odds that gamblers face. But even when taxes do more than recoup economic rent, they can only mitigate the effects of problem gambling if they increase the average amount lost by a player per dollar bet, and if problem gamblers respond by reducing their losses.

The price of gambling for some games, such as many casino table games, is fixed by the rules of the game and will not be affected by gambling taxes (although businesses may be able to adjust the price by providing discounts of various types or making marginal adjustments to the rules). In other games, such as TAB wagering, the price of gambling (that is, the average player loss) may be affected by gambling taxes but is not immediately apparent to the gambler. In such cases, increasing the price of gambling is not likely to affect the behaviour of problem gamblers.

Even where the price of gambling is affected by gambling taxes and is apparent to the gambler, problem gamblers may not markedly reduce their losses. If their gambling is constrained only by the amount of money available to them, their losses will not fall. If they face other constraints on their gambling, like the amount of time they can devote to gambling, higher prices may lead to higher losses and more severe problems (PC 1999).

Only around 1 per cent of the adult population are problem gamblers, so using taxes to help counteract problem gambling imposes high costs on the large majority of non-problem gamblers.

Source: Henry et al. (2009b, p. 462).

Rather than addressing regional differences in the social costs of problem gambling, if they exist, the differential tax rates seem based on economic rent and Ramsey pricing considerations.

Higher cost structure

Information provided to the QCA indicated that the lower tax rates applying to gambling revenue from the Townsville and Cairns casino is designed to address the smaller scale of those ventures and their distance from the major domestic market of SEQ.

Regional casinos may have a higher cost structure if there are economies of scale in the supply of casino services. Transport costs for inputs to the supply of casino services may also be higher than to SEQ casinos. On the other hand, some inputs may cost less, such as, wages and local rates.

Distance also poses a barrier to out-of-region tourism to Townsville and Cairns. Governments may have as an objective the promotion of regional tourism. As the Townsville and Cairns casinos are part of the tourism offerings of those cities/regions, the Casino tax concession may be viewed as one of a suite of tourism or regional development policies.

Responsiveness of demand from high rollers

Information provided to the QCA indicated that the concession for high rollers is designed to recognise the strong international competition for these customers.

Strong competition for high rollers, and their own mobility, may mean that high rollers are sensitive to changes in price:

> *Casinos have argued — and governments agreed — that the lower tax rate is necessary to attract high rollers to Australian casinos (or casinos in particular states). Underpinning this argument is that high rollers (both from Australia and overseas) are internationally mobile and will gamble where they receive the best price. Lower tax rates allow casinos to offer inducements to high rollers — such as free accommodation and other services, or discounting losses by a certain percentage — which effectively lowers the price of gambling. If Australian casinos did not match the "prices" offered by other casinos, the economic activity generated by high rollers would be lost. (PC 1999, p. 19.17)*

If high roller demand is indeed sensitive to price changes, then, consistent with Ramsey pricing principles, a rationale for the casino tax concession is that it reduces tax rates having regard to the elasticity of demand responses. Depending on how responsive demand is, and responses from other jurisdictions, a reduced rate of tax may actually generate greater tax revenues.

Rates set for expected regional differences in economic rent

The four hotel-casinos pay the same amount in quarterly licence fees, but the ad valorem tax rate on gambling revenue differs due to the casino tax concessions.

Depending on local market conditions there may be less economic rent to extract which would provide a rationale for lower gambling-specific tax rates. This might be due to economies of scale in the supply of gambling so that the smaller market size results in less rent. Other factors include the level of demand relative to restricted supply, the characteristics of gamblers may differ (e.g. travel distances/time may reduce demand from more wealthy gamblers), and the local state of competition from other forms of gambling to the extent that they are substitutes.

A higher cost structure, as well as less favourable demand conditions, may reduce the economic rent generated by the regional casinos as a proportion of revenues. If the casinos in Townsville and Cairns do not generate proportionally as much economic rent, then this may justify the concessions lowering the tax rates applying to these casinos.

Efficiency

Incidence: who bears the burden of gambling taxation

There are differing views on who bears the burden of gambling taxation. And the burden of taxation may vary by the type of gambling service being taxed, in line with differences in the strength of demand responses to changes in price.

In theory, if gambling taxation only extracted economic rent, and there was no shifting of the tax forward to gambling prices, then there would be no excess burdens from gambling taxation because neither casino operators nor gambling consumers would alter their behaviours.

In practise, the burden of casino taxes is likely to be shared by casino operators and gamblers. The more responsive gamblers are to changes in the price of gambling, the less room casino operators will have to pass on the increased cost of taxes.

Elasticity of demand for casino services to changes in price

There is broad agreement that the responsiveness of problem gamblers to any change in the price of gambling is inelastic.

Recreational gamblers are generally considered to have inelastic demands for most forms of gambling:

> *…it appears that demand for most forms of gambling is relatively insensitive to price:*
>
> - *the demand for lotteries appears to be the most insensitive across a broad range of prices*
> - *gaming machine demand also appears to be insensitive…although less so than lotteries*
> - *while casino and wagering demand may also be slightly insensitive to price changes, some sections of these markets, such as casino high rollers, are likely to be quite sensitive. (PC 1999, p. 19.16)*

By, 'slightly insensitive to price changes' what is meant is that a 10 per cent increase in price might result in an eight per cent reduction in the quantity of a service demanded, rather than only a two per cent reduction.[33]

In a report prepared for HRM Revenue and Customers on the price elasticity of gambling, a summary of the literature concluded:

> *Evidence on the own-price elasticities for casino gaming is relatively sparse, and estimates span a range from relatively inelastic to relatively elastic. We identified only three clearly relevant papers (as we note below, many US studies of 'gaming' elasticities are in fact estimates of price elasticities for machine-based games) and only one UK estimate (Paton and Vaughn Williams, 2005). This gave an own price elasticity for casino gaming of around -1.2. (Frontier Economics 2014, p. 15)*

A study of the price elasticity of demand for EGMs in casinos (not gaming tables) concluded that demand is inelastic in the short run, but, in the long run, demand responsiveness approaches unit elasticity:

> *A demand model is estimated with data from a panel of 50 casinos operating in Illinois, Indiana, Iowa, and Missouri between 1991 and 2005. The model isolates the impact of changes in the casino win percentage or price on the wagering handle, controlling for the impact of other operating, economic, and regulatory determinants of the wagering handle. The model estimates suggest that the wagering handle in the short run is inelastic to price changes, and that in the long run the wagering handle is unit elastic if not somewhat inelastic. (Landers 2008, pp. 1–15)*

For gambling taxes overall, the reasons that recreational gamblers are fairly unresponsive to changes in price are:

- the price of gambling is not readily apparent, therefore, gamblers are unlikely to be responsive to changes in price
- there appears to be only limited substitution of one gambling form for another by consumers.

[33] Technically, any response greater than 10 per cent would be referred to as elastic, and any response less than 10 per cent would be referred to as inelastic, while a response of 10 per cent is termed 'unit elastic'. However, an inelastic response of 8 per cent can still have significant efficiency implications for the burden of taxation. What an inelastic response does mean is that if taxes raised the price of gambling by 10 per cent, the reduction in the quantity of gambling consumed would fall by less than 10 per cent so that taxation revenue would increase.

Elasticity of supply of casino services to changes in price

In a submission to the Productivity Commission's 1999 gambling inquiry, the Australian Casino Association stated:

> *... the house advantage on each game (of the same type and rules) is similar to prevailing advantages in other countries. The critical point is that the long run house advantage on table games cannot be changed by casinos unless the games are dishonest (certainly not the case in Australia). This means that new costs (taxes, regulations and so on) must ultimately be borne by the house. In this respect, casinos are like export industries such as coal where Australian producers are 'price takers'. (PC 1999, p. 13.28)*

This implies that casino operators face a horizontal, kinked supply curve and that, at a given price, of which they have no control, they are willing to supply gambling services up to their physical capacity limits (which are regulated). Further increases in price will have no effect on the quantity of services provided.

Given highly regulated supply, the elasticity of supply can be expected to be highly inelastic for regulated gambling services.

Estimates of efficiency burdens

KPMG EconTech estimated the efficiency burden of gambling taxes noting that the estimates were likely to be overestimates if there were significant negative externalities of gambling, which were not modelled. The MEB and AEB estimates were 92 cents and 54 cents of consumer welfare loss per dollar of revenue collected, respectively:

> *Gambling taxes have a very high excess burden. This is because they are applied at high rates and because the negative social costs associated with gambling have not been taken into account in this analysis. Incorporating any social costs of gambling would lower the excess burden because it would then reflect social benefits associated with a tax-influenced reduction in gambling. However, it is unclear to what extent gambling taxes are effective in addressing gambling externalities. (KPMG EconTech 2010, p. 81)*

Both the Productivity Commission (1999) and IPART (2008) considered that the efficiency losses from gambling taxation were not likely to be high as gambling demand was relatively inelastic:

> *To the extent that the demand for gambling is relatively insensitive to its price, the excess burden of existing taxes on recreational gamblers may not be particularly high. With the possible exception of lotteries, reducing taxes on gambling may thus not yield significant gains in efficiency. (PC 1999, p. 19.1)*
>
> *Gambling taxes could be regarded as relatively efficient as changes to the tax rates do not significantly alter economic behaviour. Gambling exhibits reasonably inelastic demand, which means that gambling levels are not affected significantly by the imposition of tax. (IPART 2008, p. 70)*

However, the efficiency burden of a tax depends on price responsiveness and the tax rate. High gambling tax rates apply both to consumers for whom gambling is a normal leisure activity and to problem gamblers. Problem gamblers are estimated to be around 2 per cent of the Australian adult population (P C 1999). For the vast majority of gamblers, the high and non-uniform tax rate is harmful:

> *It is not clear how problem gamblers react to higher taxes. In most forms of gambling, the price of gambling is not easily observable. Even if problem gamblers do observe changes in price, it is not clear that they respond by reducing the amount they lose. Higher gambling taxes do, however, harm responsible gamblers, who must pay higher prices for their entertainment. (Henry et al. 2009b, p. 460)*

In the case of casinos, the level of taxation is high by the standard of other industries, but casinos are the lowest taxed form of gambling. That said, responsiveness to casino prices is likely higher than for other forms of gambling.

Two main conclusions were drawn by the Productivity Commission (1999, p. 19.23–4) from its consideration of the potential burdens of gambling taxes:

- *with the possible exception of lottery taxes, the evidence of low responsiveness to price changes (while not definitive) should caution against assuming that simply because gambling taxes are high, there would be large efficiency gains (via recreational gamblers) from reducing them*
- *the likely variation in responsiveness to price changes among different forms of gambling should caution against assuming that a move towards uniformity among gambling forms would significantly improve resource allocation or improve welfare.*

Simplicity and transparency

IPART viewed gambling taxes as meeting the principle of simplicity:

> *Gambling taxes are relatively simple to administer and comply with. The costs of collecting gambling revenue include the compliance costs for gambling operators — record keeping, assessing liability, making payments — and the costs to government of processing receipts and ensuring taxes are paid. They do not include the costs of regulating the activity or ensuring probity, as these are costs that will be incurred regardless of taxation arrangements.*
>
> *Looked at in this way, the administration costs of collecting most gambling revenue appear to be quite low. Taxes are collected from relatively few sources compared to most state taxes and remittance processes can be automated. (IPART 2008, p. 71)*

However, gambling taxes did not perform well against the principle of transparency:

> *While the existence of gambling taxes is probably well known, few gamblers would be aware of the rates of tax applied to various gambling activities, thereby significantly reducing the transparency of gambling taxes for gamblers. (IPART 2008, p. 71)*

The casino tax concession is unlikely to materially affect these assessments.

Distributional impacts

IPART considered that gambling taxes may reduce vertical equity, dependent on the final incidence of the taxes. Gambling taxes also did not rate well against the horizontal equity principle as gamblers face different tax rates depending on the form of gambling:

> *The equity of gambling taxes depends on the extent to which gambling taxes lower profits to operators or reduce the payouts to gamblers. To the extent that they lower payouts to the gambler, gambling taxes are a relatively regressive tax in comparison to payroll tax or a broad based expenditure tax such as the GST. This is because gambling accounts for a higher proportion of both income and total expenditure for those on lower incomes.*
>
> *Horizontal equity is low for some gambling taxes as a result of the differential tax treatment of gambling within casinos, clubs and hotels, even though there is no substantial difference in the gambling product (in respect of poker machines, for instance). (IPART 2008, p. 70–1)*

Where gambling taxation was designed to appropriate economic rent only, the Henry Tax Review considered that gambling taxation would have little overall impact on equity. Where, or to the extent that it does, the burden of the tax is passed to gamblers, casino taxes are neither noticeably regressive or progressive (Box F.13).

Box F.13 Vertical and horizontal equity of gambling taxes

The Henry Tax Review considered that rent-based gambling taxes have little effect on equity.

Spending on gambling is not proportionally spread across the income distribution — low income people spend a higher proportion of their income — 1.4 per cent — on gambling than high income people — 0.3 per cent (ABS 2006). Accordingly, gambling taxes appear to be regressive overall, falling as a proportion of income as incomes rise (Smith 1998). However, some gambling taxes represent a transfer of economic rent from the gambling business to the government. In these cases, a marginal change in gambling taxes would not change the supply of gambling services or the prices that gamblers pay to gamble. Reducing taxes would simply increase the profits of the gambling business.

Spending on particular forms of gambling is less evenly distributed than spending on gambling as a whole. For example, participation in casino gaming and sports wagering is strongly biased towards young single men. Lotteries and gaming machines are disproportionately patronised by low income people. Thus where the burden of the tax is borne by gamblers, taxes on lotteries and gaming machines are the most regressive; taxes on wagering are also regressive, though there is significant variability among income groups; and casino taxes are neither regressive nor progressive (PC 1999).

Source: Henry et al. (2009b, p. 466).

While the economic incidence of some gambling taxes do have equity implications, the casino tax concessions are unlikely to significantly alter vertical or horizontal equity. If the lower tax rates resulted in increased payouts to gamblers, then the concession may marginally increase vertical equity.

Summary

If an economic rent rationale is adopted as the sole rationale for the casino tax concessions, then the concession is only justified if the uniform rate extracts revenue greater than the economic rent that results from the regulatory arrangements. Taxes targeting rents typically do not seek to fully extract rents given the difficulties in designing a tax to reliably do so, and the consequences for longer term investment if the tax reduces returns below that required to justify investment.

Regional differences in demand and supply characteristics may result in different casinos generating more or less economic rent. Therefore, the casino tax concessions may fulfil the function of better tailoring casino taxes to regional conditions, assuming economic rents are higher in SEQ.

The part of the casino tax concessions applying to higher rollers is better understood from the perspective of Ramsey pricing applied to taxation. The concession targets a customer group with higher responsiveness to prices than is generally accepted is the case for recreational gamblers or problem gamblers.

There are some important information constraints in evaluating the concessions:

- information on the extent to which economic rents are being generated and how well casino tax targets economic rent
- reliable information on elasticities and economic incidence (that is, the extent to which the tax concessions benefit casino operators or gamblers)
- if there are benefits to reforming existing arrangements, then what reforms are practical given existing commercial-in-confidence agreements between the government and casinos.

Duties concessions

Types of duties

A duty is a levy (or tax) on legally recognised certain documents. This was historically shown by a stamp on the documents so that duties were often referred to as stamp duty. The authority for duties in Queensland derives from the *Duties Act 2001*.[34]

A duty differs from a tax only in that it is levied on specific commodities, financial transactions, estates, etc., compared to more broadly applicable 'taxes', such as, personal income taxes, corporate taxes and consumption taxes. A duty is generally applied as a percentage of the assessable value of a transaction.

The Queensland Government obtains revenue from:

- *insurance duty*: this duty applies to compulsory third party insurance under the Motor Accident Insurance Act 1994, accident insurance under the Workers' Compensation and Rehabilitation Act 2003, life insurance, and general insurance (any insurance that applies wholly or partly in Queensland, other than compulsory third party insurance, accident insurance and life insurance)
- *transfer duty*: this duty applies whenever a property is sold, bought or transferred, such as, land or rights to land. Transfer duty may also apply to transactions involving: business assets, including vehicles and leases; mortgages; and trusts
- *vehicle registration duty*: this duty is imposed on an application to register a vehicle; and an application to transfer a vehicle. It applies to a new vehicle, a used vehicle, a modified vehicle, vehicles as part of business or land contracts, a special vehicle, and a taxi or limousine licence.

Two other types of duty apply in Queensland:

- corporate trustee duty: this duty applies to acquired shares in corporations that hold property on trust
- landholder duty: this duty is payable when an entity makes a relevant acquisition in a 'landholder'. A landholder is a corporation or listed unit trust that has land-holdings in Queensland with an unencumbered value of $2 million or more.

These latter two duties are not considered further as no exemptions or concessions were identified as industry assistance measures.

Policy context

Duties have been subject to significant reforms over the last 15 years:

- in June 1999, the Intergovernmental Agreement (IGA) on the Reform of Commonwealth-State Financial Relations was signed between the Commonwealth, State and Territory governments agreeing a range of tax reforms
- on 1 July 2000, the Commonwealth Government introduced the *A New Tax System (Goods and Services Tax) Act 1999*
- Queensland implemented significant reforms to duties with the introduction of the new *Duties Act 2001*.

The 1999 IGA reforms included:

[34] See https://www.osr.qld.gov.au/duties/transfer-duty/about-transfer-duty.shtml.

- the Commonwealth would introduce and legislate to provide all of the revenue from the GST to the states and territories, and would legislate to maintain the rate and base of the GST in accordance with the agreement
- the states and territories would cease to apply a range of taxes, including the wholesale sales tax, and would not reintroduce them or similar taxes in the future.

Many elements of the reform package involved the abolition of duties. The 1999 IGA agreed to abolish bed taxes, financial institutions duty (FID), and stamp duties on quoted marketable securities. It agreed to abolish debits tax by 1 July 2005, subject to review by the Ministerial Council. The other taxes were to be reviewed by 2005. Many of the abolition deadlines were not met. The 2008 Intergovernmental Agreement on Federal Financial Relations re-committed governments to abolition all taxes previously agreed by 1 July 2013 (Table F.13).

Table F.13 State taxes to be abolished under the ANTS reforms

State tax	***Description***	***What was agreed***	***Qld abolition date***
Bed taxes	Accommodation taxes levied on the cost of temporary residential accommodation.	1999 IGA abolish by 1 July 2000	Not levied in Qld
Financial Institutions Duty	Financial Institutions Duty levied on the value of receipts (credits) at financial institutions and on the average daily liabilities and/or investments of short term money market dealers.	1999 IGA abolish by 1 July 2001	Not levied in Qld
Stamp duties on marketable securities	Stamp duty levied on turnover (i.e. sale price times quantity traded) on the transfer of marketable securities quoted on the Australian Stock Exchange or another recognised stock exchange.	1999 IGA abolish by 1 July 2001	1 January 2007
Stamp duties on non-quotable marketable securities	Stamp duty levied on transfers of marketable securities in private companies and trusts, and in public companies and trusts where the securities are not quoted on the Australian Stock Exchange or another recognised stock exchange.	1999 IGA review by 2005; 2008 IGA abolish by 1 July 2013	1 January 2007
Debits tax	Debits tax levied on the value of withdrawals (debits) from accounts with financial institutions with cheque drawing facilities. Debits duty levied on transactions, including credit card transactions. This does not include stamp duty on electronic debits.	1999 IGA abolish by 1 July 2005 subject to review by the Ministerial Council; 2008 IGA before 1 July 2013	1 July 2005
Stamp duty on non-real non-residential conveyances	Stamp duty levied on the value of non-real non-residential conveyances.	1999 IGA review by 2005; 2008 IGA abolish by 1 July 2013	Not levied in Qld
Stamp duty on leases	Stamp duty levied on the rental payable under tenancy agreements.	1999 IGA review by 2005; 2008 IGA abolish by 1 July 2013	1 January 2006
Stamp duty on mortgages, bonds, debentures and other loan securities	Stamp duty levied on the value of a secured loan property.	1999 IGA review by 2005; 2008 IGA abolish by 1 July 2013	Mortgage duty 1 July 2008
Stamp duty on credit	Stamp duty levied on the value of the loan under credit arrangements.	1999 IGA review by 2005; 2008 IGA	Credit card duty 1 August

State tax	***Description***	***What was agreed***	***Qld abolition date***
arrangements, instalment purchase arrangements and rental arrangements	Stamp duty levied on credit business in respect of loans made, discount transactions and credit arrangements. Stamp duty levied on the price of goods purchased under instalment purchase arrangements. Stamp duty levied on the rent paid in respect of the hire of goods, including consumer and producer goods.	abolish by 1 July 2013	2004. Credit business duty and Lease duty 1 January 2006. Hire duty 1 January 2007
Stamp duty on cheques, bills of exchange and promissory notes	Stamp duty levied on cheques, bills of exchange, promissory notes, or other types of payment orders, promises to pay or acknowledgment of debts, including duty on electronic debits.	1999 IGA review by 2005; 2008 IGA abolish by 1 July 2013	Credit business duty 1 January 2006

Sources: COAG (1999, 2008); and Office of State Revenue n.d.(c).

Industry assistance measures

Under each of the above types of duties there are a range of exemptions or concessions. Three concessions were identified as industry assistance measures (Table F.14).

Table F.14 Description of Queensland Government duty concessions

Measure	***Description***
Insurance duty: Private health insurance	An exemption from insurance duty is provided for private health insurance. The Duties Act 2001 provides that insurance duty is not imposed on a contract of insurance entered into in the course of an insurer's health insurance business as defined in the *Private Health Insurance Act 2007 (Cwlth)*, section 121–1.
Transfer duty: First home vacant land concession	A first home concession is available for the purchase of certain vacant land up to the value of \$400,000, with a full concession available on certain vacant land up to the value of \$250,000. On the acquisition of land valued at \$380,000 the transfer duty liability is \$10,725 after a concession of \$1,000.
Vehicle registration: agricultural vehicles	An exemption is available to primary producers if an agricultural vehicle: • has a gross vehicle mass of more than 6 tonnes under the Transport Operations • will be used solely in a business of primary production.

Note: a number of other duty concessions were identified that might qualify as industry assistance, including: insurance duty is not imposed on a contract of insurance for the physical loss or damage to the hull of a boat used primarily for commercial purposes; insurance duty is not imposed on a contract of insurance for the physical loss or damage to goods in transit or for the loss of freight goods in transit; and vehicle registration duty is not imposed on an application, under the Industrial Relations Act 1999, chapter 12, part 15, to register a vehicle in the name of, or to transfer a vehicle to, an organisation under the Act (s.392, Duties Act).

Source: Office of State Revenue n.d.(b).

Level of assistance provided

In 2013–14, duties concessions totalled \$352 million with the private health insurance concession contributing 95 per cent of the foregone revenue. The first home vacant land concession was estimated to result in foregone revenue of \$18 million (Table F.15).

Table F.15 Level of assistance provided by duty concessions ($ millions)

Revenue foregone	*2013–14*	*2014–15*	*2015–16*	*2016–17*	*2017–18*
Private health insurance concession	333.0	365.4	389.2	414.5	441.4
First home vacant land concession	18.0	21.6	21.9	22.5	23.9
Agricultural vehicles concession	1.0	1.0	1.0	1.1	1.1

Source: QT Information Return.

Rationale

Broad-based taxes with uniform rates are preferred to selective tax instruments. This allows the rate of tax to be as low as possible for any given revenue target. However, there are two arguments for differential product taxation:

- Ramsey pricing which applies higher taxes to goods and services that are not sensitive to price changes, and lower taxes on those products sensitive to price changes. The idea is to selectively set tax rates to affect behaviour (purchasing decisions) as little as possible
- market failures (e.g. a positive or negative externality) that can be 'corrected' by selective taxation.

Where taxes (or duties) are differentiated, there can be a trade-off between the efficiencies from a broader base and the efficiencies from improvements to the functioning of markets. Taxes with narrow bases that raise small amounts of revenue are generally inefficient unless they address a market failure or act as a charge on particular goods and services (Henry *et al.* 2009b, p. 469).

A differentiated or non-uniform tax may result in a less efficient tax system, but the efficiency loss is offset by the gains from a more efficient market or industry.

Where tax instruments are used to correct for a market failure, rather than to serve the objective to raising revenue, the demand for a product must be price sensitive so that tax-induced price differentials encourage a significant switch in demand away from the higher-taxed product. Therefore, it is the opposite of the Ramsey approach which seeks to apply higher taxes on products which are the least elastic. Similar to Ramsey taxation, taxes to address market failure inevitably add to the complexity of the tax system.

Private health insurance concession

The Private health insurance concession aims to reduce the cost of private health insurance to avoid a reduction in private health coverage, and a possible increase in demands on government funded health services. A rationale for the concession relates to possible market failures in insurance markets, combined with the net effect of a large range of government interventions, leading to under-provision of insurance coverage. The distributional consequences of these effects also provide a plausible rationale for the concession.

Market failure in health insurance

Two common problems in insurance markets which can reduce the efficiency of the markets are adverse selection and moral hazard (Box F.14).

Box F.14 Market failure in insurance markets

Adverse selection

Adverse selection occurs because the true risk level of any individual is not discernible to an insurer. Insurers set premiums based on average risks within any broad risk group. These are actuarially attractive to the riskiest people in that group, and not attractive to the least risky group. The least risky group then find it worthwhile to self-insure or, in the Australian context, use Medicare instead.

Adverse selection can lead to premiums well in excess of expected benefits for the young and healthy, and very favourable to the old or sick. Adverse selection can change the membership composition of plans.

Community rating ensures access by all members of the community to private health insurance. But in effect, community rating institutionalises cross subsidies from fund members who make relatively little use of health care services to fund members who have relatively high use of those services…. this can create incentives for lower risk members to drop out of private health insurance. This, in turn, weakens risk profiles, leading to higher costs for the funds. Consequent higher premiums reduce still further the perceived value of private insurance for low-risk members, and the 'vicious circle' continues.

Moral hazard

Once insured, the prices of health care services are either zero or very low (depending on the level of contributions or 'gap' required), so that people demand more. This can mean that people use more health care than they would be willing to pay for if they actually had to bear the full cost. The extent to which they use 'too much' is known as moral hazard.

Moral hazard refers to the detrimental effect that insurance has on an individual's incentives to avoid losses. A car theft, an accident, or a house fire may not be completely avoidable, but the probability or size of the loss is almost always influenced by an individual's actions.

Insurance reduces the benefits to the individual of taking actions that mitigate risk. The incentives to avoid or to mitigate losses are therefore compromised by insurance, unless an individual can somehow commit to undertaking optimal precautions at the time that an insurance contract is struck. The insurance alters the behaviour of the insured, with the insured undertaking greater risks than otherwise, or lower investments in risk mitigation. Insurers anticipate this effect and one consequence of moral hazard is a higher insurance premium.

Moral hazard arises in insurance contracts under two conditions. The first is that the insured risk is influenced by decisions taken by the insured individual after the insurance contract is signed. The second necessary condition is that the care and activity levels cannot be costlessly specified in the insurance contract and enforced by the insurer.

Source: Winter (1992); IC (1997); and Besley (1989).

A study of private health insurance markets found that adverse selection problems were the second most important cost driver to premium increases in the 1990s:

> *…adverse selection is a significant underlying contributor to a number of the cost drivers. Available evidence suggests that it may have contributed around 17 per cent to real premium increases in the 1990s. In the future, as other influences such as the public-private shift diminish, it will become more dominant as an underlying force for premium increases. (IC 1997, p. xxxvi)*

The study also found that moral hazard contributed to premiums, but were a less significant problem in terms of driving premium increases than adverse selection:

> *…because the demand for health care is typically price inelastic, moral hazard problems are likely to be small for most, but not all, health services. (IC 1997, p. 169)*

Insurers are better able to address moral hazard problems through, for example, the use of front-end deductibles (where a person pays an initial amount towards the cost of care), and ad valorem co-payments (where a person meets a fixed share of costs). These strategies are customarily used in ancillary policies, where individual expenditures by consumers are relatively small, and moral hazard problems are arguably the greatest, and/or 'benefit limits' which impose a limit on total cover (I C 1997).

Insurance duties can compound the problems of adverse selection and moral hazard

A consequence of adverse selection and moral hazard in health insurance markets is that premiums are higher than they otherwise might be. Any duty (or other tax) applied would raise premiums further:

> *Insurance allows people to manage their risk and provides them with the flexibility to exploit economic opportunities. Australia has high taxes on insurance, both in comparison to the taxes imposed on other products and industries, as well as compared to other countries. Imposing specific taxes on insurance adds to the cost of insurance premiums and can lead to under-insurance or non-insurance. Specific insurance taxes should be abolished. (Henry et al. 2009c, p. 469)*

Consumer responses to high premiums can lead to consumers insuring less than they would choose to if premiums were efficient, or even not insuring at all (exiting the market):

> *The market for insurance is already subject to a number of substantial market failures that has resulted in a state of underinsurance and non-insurance. Taxes on insurance exaggerate this problem and provide a further disincentive to insure (IPART 2008; Victorian Department of Treasury and Finance 2001). (CIE 2009, p. 75)*
>
> *Insurance taxes reduce the return for any given cost of an insurance policy, meaning that people and businesses must pay more to achieve the same level of risk reduction. This can deter people and businesses from entering the insurance market or purchasing an adequate level of insurance. This reduces the size of the insurance market and hence the scope for insurers to pool risk, leading to an increase in the cost of insurance premiums beyond the first round impact of the tax.*
>
> *The rates of non-insurance and under-insurance vary throughout Australia. While States with higher taxes on insurance do not always have higher rates of non-insurance and under-insurance, there are other reasons why differences in States may persist (such as differences in perceived levels of risk). Further, there is evidence that after Western Australia stopped basing its fire services levy on insurance, the level of non-insurance for both building and contents declined (Tooth & Barker 2007). Another study found that if the fire services levy, insurance duty and the insurance protection tax were removed, an additional 300,000 households across Australia would purchase contents insurance and an additional 69,000 households across Australia would purchase building insurance (Tooth 2007). (Henry et al. 2009c, p. 473)*

Health markets are complex and heavily regulated, with a plethora of government interventions. The contribution of moral hazard and adverse selection to premiums being inefficiently high might provide a rationale for policy intervention which subsidised private health insurance. The subsidy (or negative tax) would seek to lower premiums such that demand increased towards the socially efficient level.

Distributional impacts

Insurance duties can also have unintended distributional consequences on those with low incomes:

> *Low-income earners are more likely than high-income earners to abandon insurance in response to higher premiums. The result is that they bear more risk themselves, although they are less well-placed to do so than people with higher incomes. (Henry et al. 2009c, p. 474)*

The above efficiency and distributional concerns provide a plausible rationale for exempting private health insurance from insurance duty. However, other forms of insurance are also likely to be subject to adverse selection problems. It isn't immediately clear why private health insurance is singled out for preferential treatment. It may be that the problems of market failure have a larger impact on health insurance markets than other insurance markets, or it may be related to the implications for the level of public sector health expenditures when individuals are not privately insured.

First home vacant land concession

Information provided to the QCA indicated that the First home vacant land (FHVL) concession from transfer duty is designed to avoid an economic distortion that would arise if a first home concession was available only for established dwellings, and not vacant land (linked to the market for the construction of new homes). The concession seeks to equalise the treatment of different housing market segments; equivalently, improve the neutrality of the tax system in the context of housing markets.

Another possible objective is to support increased home ownership. Reducing the transfer duty tax liability on the acquisition of vacant land, might reduce the overall cost of new homes, depending in large part on the final incidence of the duty.

As the concession is targeted at vacant land, which is acquired for the purpose of building a new home, the concession can assist activity in the construction industry.

Companies are not eligible to claim the FHVL or the home concession or the first home concession (discussed below). While almost all measures that have been identified as industry assistance measures in the inquiry involve businesses being the 'initial recipient', a number of industry assistance measures provide assistance to households where that assistance is tied to a specific product, which is the case for the FHVL concession. From an economy-wide perspective, assistance towards the housing industry draws resources away from other uses.

Taxes influencing housing

Both the Australian Government and the Queensland Government have a range of tax policies influencing housing in Queensland.

Australian Government tax policies include the taxation of rental income, deductibility rules for expenses (including negative gearing), the Capital Gains Tax (CGT) and the GST.

At the state level, transfer duties and land taxes are the two main housing-related taxes that influence housing demand and supply.

Tax concessions influencing housing

The Australian Government and the Queensland Government also have tax concessions which further influence housing markets. The Australian Government does not tax the imputed rental income of owner occupiers, or impose CGT on the principal residence. Queensland Government duty concessions include:

- the FHVL concession
- the 'home concession': a home concession can be claimed if a taxpayer buys a home and moves into it within 1 year of the transfer date, and lives in the home as your principal place of residence. The concessional transfer duty rate applies to the first $350,000 of the consideration or value of the home. The general transfer duty rates then applies to the balance. On the acquisition of a $550,000 home, with the home concession the duty liability is $10,600 versus $17,775 without the concession
- the 'first home concession': a taxpayer may claim a first home concession if they have never held an interest in residential land anywhere in the world, have never claimed the first home vacant land concession, are buying a home valued less than $550,000[35], will live in the home as their principal

[35] A taxpayer may still buy a home valued more than $550,000 and claim the first home concession, the benefit of it is reduced to zero. However, the home concession rate is still used to calculate the duty (see

place of residence, and are at least 18 years of age (this requirement can be waived in special circumstances). On the acquisition of a $530,000 home, with the first home concession the duty liability is $6,300 versus $16,975 without the concession.

Great Start Grant

In Queensland, the First Home Owner Scheme introduced in 2000 is now implemented as the Great Start Grant. First home buyers may be eligible for the Great Start Grant which provides $15,000 towards the buying or building of a 'new' home. A new home is a house, apartment, unit or townhouse that: has not been previously occupied as a place of residence; has not been previously sold as a place of residence; or is a substantially renovated home (completed by the vendor in limited circumstances).

Governments recently agreed to alter the eligibility for the grants by dropping eligibility for established homes.

The Great Start Grant is discussed in Chapter 9.

Incidence of duties

Insurance duty imposed on either general insurance (including health insurance) or life insurance is paid by the insurer. While paid by the insurer, the economic incidence falls on the policy holder (Table F.16).

Table F.16 Incidence of the duties

Duty	***Legal incidence***	***Economic incidence***
Insurance duty	Paid by the insurer	Policy holder
Transfer duty on real property (homes and land)	Purchaser/seller both liable. Purchaser generally pays	Some debate. Burden of duty likely shared between purchasers and sellers, particularly in the long-run
Vehicle registration duty	Application to register a vehicle: duty is paid by the applicant. Application to transfer a vehicle: both transferee and the transferor are liable	Consumers through higher prices

A liability to pay transfer duty arises when an entity enters into a dutiable transaction in Queensland, such as for land. In most cases, both parties to the transaction (the seller and the purchaser) are liable to pay, but the purchaser usually pays the duty:

> *Some taxes are initially imposed on suppliers of land and housing — examples include stamp duties paid when property changes ownership prior to final sale. Other taxes, such as the GST on new houses, are effectively incorporated into the market price paid by the buyer and then remitted by the seller to government. In the case of stamp duties on final sale, tax is not included in the market price paid to the seller, but is separately paid to the government by the buyer. (PC 2004a, p. 86)*

The FHVL concession is a concession from duty for vacant land transactions for first home buyers. There is some debate about who bears the burden of transfer (stamp) duty on real property:

> *The burden of taxes affecting housing is generally shared between buyers and sellers, regardless of who initially pays. (PC 2004a, p. 75)*
>
> *…the net effects of taxation arrangements affecting housing, especially broadly-based taxes, could only be quantified through detailed modelling. Nonetheless, the proposition that housing-*

---

https://www.osr.qld.gov.au/duties/transfer-duty/exemptions-and-concessions/first-home-concession.shtml).

> *specific taxes will usually be shared between buyers and sellers is a robust one, though the degree of sharing depends on several factors. (PC 2004a, p. 88)*

In the long run, supply and demand elasticities for real property will be more elastic than short-run responses. This supports the view that the burden of stamp duty is shared by labour and consumers:

> *The incidence results for [transfer duty on properties] … show that the main incidence of conveyancing duties is on consumer prices rather than nominal incomes.*
>
> - *For businesses, as with other taxes on capital, structures will not bear the incidence of conveyancing duties. Rather, the use of structures will fall to offset the tax. The incidence is then passed through to consumers in the form of higher prices. This lowers the purchasing power of the wage, so that ultimately the incidence falls on labour.*
> - *The incidence of conveyancing duties on properties purchased by households is more direct, flowing straight to increased prices. (KPMG EconTech 2010, p. 77)*

For an application to register a vehicle, the applicant is liable to pay the vehicle registration duty. For an application to transfer a vehicle, the transferee and the transferor are liable to pay the vehicle registration duty. The economic incidence falls on consumers through higher prices.

Efficiency of duties

Why duties are so inefficient

Each of the duties concessions is highly selective directing assistance to a single industry or product:

- private health insurance concession — services industry (health insurance market)
- first home vacant land concession — construction industry
- agricultural vehicles concession — agriculture, forestry and fishing industry.

Selective assistance has the potential to distort resource allocation across industries. As discussed above, a tax might improve resource allocation where it addresses a market failure. The welfare gains from improving the operation of markets might offset the welfare losses from a narrowing of the tax base along with a marginally higher tax rate, given a fixed public financing requirement.

Duties on transactions are a particularly inefficient way to raise government revenue because:

- transaction taxes and taxes on income or consumption all discourage the ownership of assets
- transaction taxes introduce the additional inefficiency that they discourage transactions which would allocate assets to their highest value uses (Box F.15).

Box F.15 The inefficiency of duties

It is always less distortionary to tax the income and services provided by assets than the transaction involved in acquiring or disposing of them. This follows from the result that taxes on intermediate transactions are inefficient, in the sense that the same revenue and distributional effect can be obtained at a lower distortionary cost by taxing income (including capital income) or consumption (consumption of housing services).

The lower distortionary effect arises because both transaction taxes and taxes on income/consumption discourage the ownership of the assets, but the transaction taxes have the added distortionary cost of discouraging transactions that would allocate these assets more efficiently. For example, they discourage people from buying and selling houses and so discourage them from moving to areas where their labour is in greater demand. In fact, the distributional effects of transaction costs are probably also less desirable, as the tax falls more heavily on people who trade more frequently, such as people who need to move frequently for their jobs.

Nevertheless, governments have found these taxes attractive for two reasons: they are relatively easy to collect and they compensate for the difficulties of applying value-added tax to the financial sector. Capital gains taxes, which are paid only upon realisation, suffer from some of the same shortcomings as taxes on intermediate transactions.

Source: Johansson et al. (2008).

Duties are a tax on transactions which can interact with other taxes affecting people's decisions and business choices as to the best mix of inputs to production (Box F.16).

Box F.16 Transaction taxes

A tax that is levied on a good every time it changes hands is referred to as a transaction tax. The tax base for such taxes is determined not only by the value of the good but also the frequency of its transfer. In Australia, transaction taxes have generally been levied on a narrow set of goods and services and have a long history of use, probably reflecting their relative administrative simplicity.

Taxing on the basis of the frequency of transfer may discourage turnover of the good, such as housing, to minimise or avoid tax. Individuals and businesses may continue to use an existing good instead of a preferred alternative simply to avoid the tax. By reducing turnover, a high transaction tax can also make price discovery in a market more difficult.

Reducing the certainty and quality of a price signal imposes additional risk on all those who engage in the market. The extent of these efficiency costs varies, and will be lower if the transaction tax is low relative to the benefit of undertaking the activity.

The narrow base of many transaction taxes and their interaction with other taxes can have an impact on resource allocation in the economy. For example, insurance products are subject to GST, insurance transaction taxes and, in some States, insurance companies can also be required to contribute directly to the funding of fire services. The interaction of these taxes increases the cost of premiums relative to other products, which may encourage people to take up less insurance than otherwise.

An additional efficiency cost arises where a taxable product is used as a business input, since the tax can encourage businesses to use a less efficient mix of inputs. In addition, such input taxes cascade through the production chain to affect the market price of the final product, reducing international competitiveness.

Transaction taxes also have equity implications as they tax only specific goods or activities.

People may choose to engage in activities subject to higher rates of tax even though they have low incomes. Also, people with similar incomes may pay different amounts of tax because they turn over a taxed good more frequently. To address these equity issues, governments may narrow transaction tax bases to exempt certain types of people, such as some first home buyers for stamp duty on residential conveyancing. While of benefit to recipients, such exemptions add to the complexity of the tax system and increase the burden on the broader population.

Source: Henry et al. (2008, p.293).

Duties are 'cascading taxes' and combine with the GST to magnify 'tax on tax' effects, and tax business inputs (Box F.17). The Victorian State Business Tax Review (2001) considered that stamp duties and transaction taxes are among the most distortionary of all taxes available to the states:

> *The abolition of stamp duties on insurance will eliminate the invidious situation of taxes being charged on other taxes, a problem that is brought into sharp relief when the fire services levy, stamp duty on insurance and GST all appear on the one bill. (Victorian Department of Treasury and Finance 2001)*

The Property Council of Australia noted a number of benefits from the removal of transfer duty in favour of broad-based taxes:

> *...the Property Council has put forth many suggestions at a Commonwealth and State Government level that would see the removal of inefficient taxes such as stamp duties, which provide a major barrier to entry and mobility in the housing market.*
>
> *Broader based taxes, such as GST or land tax, would provide a more stable, efficient and equitable source of taxation for Governments, while also reducing the cost of new housing. (sub. 23, p. 6)*

Box F.17 Problems with duties as a revenue source

Stamp duties are 'cascading taxes'

Stamp duties in practice are 'cascading' transactions-based taxes (like FID, which has already been abolished). Because stamp duties are turnover or transactions-based, there is no system for claiming credits for stamp duty paid at an earlier stage in the value chain. Multiple transactions of the same type therefore generate 'cascading' of the stamp duty burden in unpredictable, distorting and unfair ways. Where several types of stamp duties affect transactions in a value chain, these 'cascading' effects are multiplied, as are their damaging effects.

Stamp duties combine with GST to magnify 'tax on tax' effects

With the introduction of the GST, these problems are magnified by new 'tax on tax' effects. In fact, state stamp duties are levied on the GST-inclusive value of the relevant transaction. In practice, this is worse than having the tax order reversed, (that is, having GST apply to the stamp duty-inclusive value of the transaction), in the case of business transactions including those involving commercial property transfers. Net of GST input tax credits (ITCs), the tax burden on dutiable transactions including those involving commercial property transfers is increased by 10% directly as a result of the interaction between GST and stamp duty.

Stamp duties are taxes on business inputs, hampering efficiency-enhancing business restructuring

Stamp duties, including those on commercial property transfers, are taxes on business inputs. Their existence impedes business restructuring because they add to the costs of doing so. This reduces business flexibility and efficiency, and as a result undermines business competitiveness. Their retention is also discriminatory, unfair and, in the longer term, counterproductive. Especially as the other reforms under the New Tax System are implemented, the retention of stamp duty on commercial property transfers unfairly discriminates against this form of investment and in favour of equities and other assets even though the underlying pool of financial capital driving investment allocation is the same for all assets. Over time, this discrimination is a recipe for tax base erosion as investment shifts away from commercial property.

Source: Access Economics (2003).

Estimates of efficiency burdens

Estimates of the MEB and AEB for duties measure the welfare loss from duties in cents per dollar of revenue collected:

- stamp duties other than real property: an MEB of 18 cents and an AEB of 18 cents
- conveyancing stamp duty (stamp duty on properties): 34 cents and 31 cents
- motor vehicle registration duty: 37 cents and 32 cents
- motor vehicle stamp duty: 38 cents and 38 cents
- insurance duty: 67 cents and 47 cents (KPMG EconTech 2010).

Duties were estimated to have high efficiency burdens compared to many alternative sources of revenue.

Insurance duty

Of duty related taxes, insurance duty was the least efficient way for governments to raise revenue (results in the greatest welfare losses). The inefficiency of insurance duty was driven by distortions due to the narrowness of its base and that insurance duty has a high effective rate of tax (Box F.18).

Box F.18 Why the efficiency burden estimates of insurance duty are so high

The excess burden of insurance taxes is very high. This is for two reasons:

- Insurance taxes are applied to a narrow base — insurance services. By applying insurance taxes to this service, this increases the price of these services relative to other goods and services, and leads to inefficiently low consumption of insurance services.
- Insurance taxes have a high effective rate. An important consideration is that while the statutory tax base is typically the value of premiums, the true cost of insurance services to policyholders is the value of premiums net of benefits, which is a much smaller tax base. This smaller tax base means that the effective rates of tax are far higher than the statutory rates
  - for example, consider a statutory rate of insurance tax that is set at 10 per cent of premiums. If the gross benefits paid are 50 per cent of the premiums paid, then the effective rate of insurance tax will be double the statutory rate — at 20 per cent of the net value of insurance services (premiums minus payouts).

The incidence of insurance taxes also falls on prices. These taxes increase the cost of production in industries that use insurance, and also increase the cost of insurance to households.

Insurance tax leads to higher consumer prices for insurance services, and for the output of industries that use insurance - eroding the real wage. For household consumption of insurance, there is a larger impact on households with higher incomes, mainly because they consume proportionally more insurance services.

Source: KPMG EconTech (2010, p. 80).

In comparison to insurance duty, land taxes had an MEB of 8 cents and AEB of 6 cents. In effect this means that if insurance duty was abolished and the revenue lost was replaced with a small marginal increase in land taxes, there would be a very significant welfare improvement.

The Property Council of Australia (Access Economics 2003) assessed the economic benefits of removing an equal amount of each of the currently-remaining state taxes on business (as at 2003), both Australia-wide and for New South Wales. For both modelling cases they found that the largest welfare gain was for stamp duty on conveyancing (non-residential), followed by insurance duty and motor vehicles duty.

A duty applies to specific commodities, financial transactions, estates, transfer of assets etc. Therefore, duties will always be highly selective. Exemptions further narrow the base of the duty. While inclusion of private health insurance in the base would likely lower the efficiency burdens of insurance duty, they would still remain comparatively high. The welfare gains from a more efficient insurance duty would need to be weighed against the tax-induced effects from higher insurance premiums in the market for private health insurance, and also greater demands on publically funded health services.

Transfer duty

KPMG EconTech estimated the MEB of stamp duties (or conveyancing) on properties at 34 cents of welfare loss per dollar collected, and an AEB of 31 cents. The estimates were considered to be conservative (downward biased) as modelling was not able to take account of all the distortions from stamp duties on properties (Box F.19).

Box F.19 Efficiency burden of stamp duty on commercial and residential property

Like motor vehicle stamp duties, conveyancing duties are taxes on transactions in residential and commercial property and are applied to the combined value of the land and building. Their excess burden arises from three main distortions:

- conveyancing duties drive a wedge between the prices that producers or developers of property receive and that which purchasers pay. Specifically, the prices that producers receive will be lower than the prices that purchasers pay and property development will be lower than otherwise would have been the case
- conveyancing duties increase the cost of purchasing property, and some households or businesses (who would not otherwise have rented) may switch to renting. This would lower their welfare
- the presence of conveyancing duties leads property owners to adjust their property consumption less frequently. This would lead to a welfare reduction because property owners would be less willing to change their ownership as their needs change.

KPMG EconTech estimates the marginal excess burden of conveyancing duties to be high, with an MEB at 34 cents in the dollar, and an AEB at 31 cents in the dollar. Conveyancing duties raise the cost of investing in new residential and non-residential structures.

For businesses, the higher replacement cost of capital also shifts business incentives away from using structures and towards using other factors of production. For households purchasing residential buildings, the increased cost of investment will also lower their housing consumption in favour of other forms of consumption. However, standard CGE models do not capture the second and third distortions listed above. This means that the excess burdens will be under- estimates of the true excess burden of conveyancing duties.

Source: KPMG EconTech (2010, p. 77).

While there are differing views on the economic incidence of transfer duty on real properties, these are more a matter of degree. The burden of transfer duty on real properties will be shared by sellers of homes and land with purchasers, particularly in the long run when supply and demand is more responsive to changes in prices.

This suggests that the assistance provided through the FHVL (in the way of foregone revenue) is also shared between sellers and buyers of homes and land. Through the concession, the FHVL lowers prices compared to a situation where the full rate of duty applies resulting in an equilibrium quantity supplied and demanded which is greater than the equilibrium quantity had the full duty applied. Therefore, the normal efficiency losses associated with taxation (the deadweight burdens) are reduced. However, the concession has impacts on other products and markets as resources respond to the change in relative prices, and the rate of tax on duties or some alternative revenue source is marginally higher to cover for the foregone revenue from the concession.

Removing the FHVL would increase the base used for duties on property, implying that the rate of duty could be reduced marginally. This would have a downward effect on the efficiency burdens of the duty. On the other hand, the stated rationale of FHVL is to remove distortions that also lead to inefficiency. Assuming it is effective in doing this, the 'balance' of these opposing effects on efficiency isn't known.

Reform directions

Both theory and empirical studies find that transfer duty on property is an inefficient tax and recommend that Government's reduce their reliance on it:

> *... stamp duties are an obstacle to first home ownership, as well as inhibiting the reallocation and adaptation of the housing stock.*
>
> *– Governments need to consider how best to reduce reliance on stamp duties, in favour of more efficient alternative sources of revenue.*
>
> *– If progress is not made in this regard, tax-on-tax anomalies involving stamp duties would then need to be addressed. (PC 2004a, p. 75)*

The Henry Tax Review and the IPART review of NSW state taxes recommended abolishing or transitioning away from transaction-type taxes, including insurance duty:

> *IPART considers that on economic efficiency grounds, there is a compelling case for abolishing stamp duty on insurance and making up the revenue forgone from consolidated revenue or other sources. However, there are severe constraints on the State's fiscal capacity to do this in the short term. (IPART 2008, p. 106)*
>
> *All specific taxes on insurance products, including the fire services levy, should be abolished. Insurance products should be treated like most other services consumed within Australia and be subject to only one broad-based tax on consumption.... There is little justification for levying specific taxes on insurance products. Rather than correcting a market failure, insurance taxes can add to existing problems in the insurance market. The revenue from insurance taxes should be replaced by revenue from a more efficient and equitable tax. (Henry et al. 2009c, p. 474)*

In the short-term, IPART recommended that the standard rate of stamp duty for general insurance be significantly reduced, accompanied by a broadening of the base through abolishing duty for third party motor vehicle personal injury insurance.

Summary

Private health insurance concession

The Private health insurance concession is one of the largest tax concessions in terms of revenue foregone. It applies to a market that exhibits a number of market failures, particularly adverse selection. There are also a large and complex range of government policy interventions in health markets which further complicate any evaluation of the net benefits of providing a duty concession on private health insurance.

Insurance duties are a clear case where it would be far better to remove the underlying tax than to remove the tax concessions.

If there is a real problem of under-insurance and non-insurance, then the private health insurance concession is likely to avoid insurance duty contributing to the problem further.

First home vacant land concession

The FHVL does not address a market failure. The FHVL is intended to address a distortion introduced from another government policy. Rather than seeking to 'balance' distortions which becomes a complex and problematic approach that is severely hampered by information constraints, policy should first seek to address the source of the problem. In other words, consider removing the original distortion. However, this involves significant and difficult reforms.

Assuming that stamp duties continue to be used by the Queensland Government to collect revenue, it is difficult to determine whether the FHVL reduces or increases distortions in housing markets overall. Assuming it achieves its objective in reducing them (within the market for homes and property), then it is difficult to determine whether the benefits are large enough to offset the negative efficiency effects of the narrowing of the duties base and the implied higher rate of tax on duty on property, or an alternative revenue source.

These issues could be investigated further, possibly in the context of an inquiry on housing markets, or as part of a review of state taxes.

Inter-state comparisons

Tax concessions, competition, business investment and industry assistance

Industry assistance tax concessions have a range of implications for policy settings for the overall tax system which influence the tax system's contribution to the relative attractiveness of Queensland as a place to invest and do business.

Successive Queensland Governments supported the objective of Queensland being a 'low tax State', and were able to sustain that status.

Tax competition provides a range of benefits from improvements to the quality of public sector expenditure, reduction in deadweight losses from lower marginal rates of taxation, improved economy-wide resource allocation and higher economic growth (Box F.20). The process of benchmarking state taxes helps to identify relative performance, problems and opportunities for reform.

Tax competition may also involve a range of costs including funding pressure on social expenditure (where that expenditure provides net benefits); and a less efficient tax base depending on the form of tax competition, for example, where it results in an erosion of tax bases or the provision selective assistance to industries.

Box F.20 Benefits of tax competition

Tax competition can be used by governments as a means of attracting or keeping business investment. Tax competition can take the form of keeping a relatively low general rate of taxation compared to other jurisdictions. It may also take the form of specific concessions to industry.

The benefits of tax competition can include:

- Improvements to the quality of public sector expenditure: tax competition can help establish a 'fiscal check' on government expenditure. An argument can be made that the scope and scale of government under modern representative governments is biased towards a larger than optimal public sector size. Tax competition can help keep restraint on inefficient government expenditures. Tax competition can strengthen governance of the 'principal' (taxpayers) over the 'agent' (representative government). Tax competition can resist further movements down an investment schedule where the social costs of investment outweigh the social benefits.

> *The important conclusion of these theoretical studies is that tax competition between jurisdictions results in an efficient outcome to the extent that the taxes paid equal the benefits received from the services provided by the jurisdiction. (IC 1996c, p. 537)*

- Reduced deadweight losses: as all taxes have negative economic consequences (barring the textbook cases of Pigouvian taxation), tax competition can reduce economic distortions by leading to lower marginal rates of taxation than otherwise, with consequences reductions in the efficiency burdens of taxation.
- To the extent that tax competition results over time in a larger share of economic activity being undertaken in the low-tax jurisdiction, economic efficiency is improved. The potential importance of this benefit will in part be conditioned by how mobile are the factors of production.
- Higher economic growth: high taxes act as a disincentive to savings, so that tax competition can provide benefits through higher savings and investment. Taxes also impact on the work-leisure trade-off and can reduce the incentives to participate in the labour force and/or alter hours worked, and the return to investments in human capital.

The costs of tax competition can include:

- Reduced means to fund social expenditure: competition may reduce the revenues available to governments to fund 'social' expenditure, under the assumption that the foregone government expenditure would have provided a net benefit.
- Less statically efficient tax base: tax competition may harm economic efficiency if it leads to choices which result in a heavier reliance on relatively inefficient taxes.
- Resource allocation distortions through selective assistance: tax competition may also harm efficiency where it is applied in a 'selective' way (e.g. concessions to particular industries or firms), similar to other forms of industry assistance. It can distort resource allocation and result in the consumption of resources in rent seeking behaviour, compliance and administration.

Tax competition can reflect the relative quality of government policy over time. Governments with policy frameworks conducive to growth, and efficient public sectors, contribute to relatively higher levels of economic activity, productivity growth and real incomes. This provides stronger revenue bases upon which to levy taxes than otherwise. A stronger economy may also reduce the need for government outlays.

Sources: Teather (2005); IC (1996c); Davidson (2007); Mitchell (2004); and Parry (2001).

Earlier theory and empirical studies usually found that tax competition was welfare reducing. More recent studies are more likely to point to the benefits of tax competition:

> *Three strands of study have emerged as the debate has evolved. Initial, somewhat uncritical, studies began with a general analysis of tax competition based on Tiebout's study of local authority spending decisions (Tiebout, 1956). Later, more complex algebraic models based on Samuelson's theory of efficient public goods...saw tax competition as a harmful 'race to the bottom' which would result in inefficient allocation of resources and under-taxation as governments competed to attract capital. Finally the debate has widened, as scholars begin to question the assumptions on which previous studies were based, and tax competition is seen as being, in the real world, a beneficial part of global capital efficiency. (Teather 2005, p. 38)*

All models make simplifying assumptions, but the assumptions underlying earlier studies of tax competition effectively assumed away many of the potential benefits of tax competition:

> *Whether because of political bias or merely out of a need for simplicity, these assumptions tend to mean that the algebraic models of tax competition ignore the problems of governments that tax competition can solve. It is not surprising that if they ignore the potential benefits of tax competition they conclude that it must be harmful.... The economic studies therefore ignore one of the main benefits of tax competition: by lowering tax rates the total amount of global capital, and therefore global wealth, is increased. Unfortunately, in most studies of tax competition economics is seen as a simplistic matter of dividing the cake, rather than encouraging it to grow. (Teather 2005, pp. 46–47)*

Tax competitiveness rankings

The Government of South Australia provided the following comparisons of the tax competitiveness of state tax systems. A ranking of one means most competitive. The indicators used were:

- tax as a percentage of GSP
- tax per capita
- Commonwealth Grants Commission (CGC) tax effort ratio
- 'Reference business' scenario indicators, including from Pitcher Partners, the Institute of Public Affairs (IPA) and KPMG (described in Box F.21).

Box F.21 Background on indicators

CGC tax effort ratio

The Commonwealth Grants Commission publishes on an annual basis taxation revenue effort ratios for the Australian states and territories. This ratio indicates the actual effort by a jurisdiction in raising tax revenue relative to the average effort of all states (including the Australian Capital Territory and Northern Territory). It is a measure of what a jurisdiction actually raises compared to what it would raise if it applied average tax imposts to its taxation revenue bases. A ratio higher than 100 indicates a tax raising effort above the Australian average, whereas below 100 indicate an effort of raising taxes less than the average.

Pitcher Partners

The Pitcher Partners State Tax Review 2013–14 compares the first year costs faced by companies in each State. The review considers WorkCover premiums, payroll tax, transfer of land (conveyance) duties, and land tax for two hypothetical businesses of different sizes.

Institute of Public Affairs

The IPA Business Bearing the Burden 2012 report considers the taxation costs associated with running a business in each state, including payroll tax, land tax, and stamp duties on commercial property, motor vehicles and insurance. It is based on hypothetical businesses at a range of sizes, which are created by scaling the components of the reference business by various factors. The report uses similar parameters to those used by Pitcher Partners, but unlike Pitcher Partners the IPA’s hypothetical business is not a start up, so there is a smaller stamp duty component, and it does not adjust for the different property values in jurisdictions.

KPMG

KPMG’s Competitive Alternatives 2014 is a biennial report that compares the relative costs of doing business in cities across ten countries, including four in Australia. While this report considers the overall costs faced by businesses, of which State taxes represent only a component, the 2014 edition includes a “Focus on Tax” supplement, which aims to measure a company’s tax burden in those cities.

Sources: Government of South Australia (2015); and Novak (2011).

Queensland did not rank as the most tax competitive state on any single indicator (Table F.17). Measured on tax as a percentage of GSP and tax per capita Queensland ranked equal fifth and fourth, respectively. If the raw data is examined, Queensland performs better than the average of the rest of Australia with this result driven by the relatively poor performance of NSW and Victoria, combined with their size in driving averages. Queensland's best performance was on the CGC's tax effort ratio where it ranked second. On the reference business scenario indicators, Queensland had: a middle ranking on the Pitcher Partners indicator (data was not available for Tasmania, ACT or NT): a middle ranking on the IPA's indicator; and was ranked third of four states on KPMG's indicator (which compared capital cities).

Table F.17 Inter-state rankings of tax competitiveness

	Tax as a % of GSP	*Tax per capita*	*CGC tax effort ratio*	*Pitcher Partners (large business)*	*IPA (average size business)*	*KPMG (Focus on Tax)*
State	***2013–14***	***2013–14***	***2012–13***	***2013–14***	***2012***	***2014***
NSW	8	6	7	5	5	4
Vic	7	5	6	2	2	2
Qld	**=5**	**4**	**2**	**3**	**4**	**3**
WA	2	8	4	4	3	n.a.
SA	=5	3	8	1	7	1
Tas	4	1	3	n.a.	6	n.a.
ACT	3	7	5	n.a.	8	n.a.
NT	1	2	1	n.a.	1	n.a.

Note: Detailed information on the taxes and concessions applying in each state can be found in NSW Treasury (2014).

Source: Government of South Australia (2015).

APPENDIX G: INTERNATIONAL AGREEMENTS AND PROCUREMENT POLICIES

This appendix provides background information on:

- broad procurement policy trends
- the structure and issues with government procurement and bilateral trade agreements
- Australian Government and Queensland Government procurement policies
- the scope for the provision of assistance under the policies
- the analysis of local preference policies and modelling undertaken.

Procurement policy trends

Historical background of Australian local procurement preferences

The practice of giving preference to Australian-made goods first developed during the early 1950s when overseas aid projects were required to offer goods and services of Australian origin wherever possible (Bureau of Industry Economics 1988).[36] Prior to this, the only grounds for granting preference to Australian-made goods was in the field of defence equipment, the justification being to establish or maintain strategic capability.

Until the early 1950s, Commonwealth Government purchasing policy was concerned with ensuring that correct procedures were followed. During 1960–61, an examination of procurement policies and procedures led to recommendations to government that the basic aim of procurement policy should be to obtain best value for money spent, not to provide protection for Australian industry in addition to that provided by tariffs (Bureau of Industry Economics 1988). However, a provision was added that although a tender from an Australian manufacturer may not be the lowest suitable one, it could be accepted if Australian production of such goods was considered essential for national security or if there was a prospect of long term savings or continuity of supply if the order was placed locally.

In 1972, the Whitlam Government released new purchasing guidelines which required that, when equally acceptable tenders were received, the Australian-owned company should be preferred. The Scott Committee of Inquiry into Government Procurement Policy report of 1974 noted that the directive had not been successful in assisting Australian firms and that such assistance may be more effectively achieved by applying a monetary margin of preference.

In 1976, the Fraser Government announced a procurement policy providing that assistance would be granted to Australian-made goods additional to that provided by tariffs. Additional assistance would be provided, on an ad hoc basis and at the discretion of Ministers, in cases where the purchase would assist a depressed industry or area or would enable the establishment, development or retention of industrial or technological capabilities required in the national interest. From the late 1970s and through much of the 1980s an explicit monetary preference margin was applied to Australian goods in Commonwealth procurement (Box G.1).

[36] The information provided in this section draws on Bureau of Industry Economics (1988), JCPAA (1999) and PC (1996).

Box G.1 The Commonwealth Procurement Preference Margin and offsets

In October 1977, a substantial shift in policy was announced by the Commonwealth Government such that a general preference was to be given to all Australian goods unless substantial reasons to the contrary existed. Where it was proposed to pass over products of higher Australian content, Ministerial consideration and approval was required. The aims of the policy were: to increase purchases of locally manufactured goods and thereby aid industry recovery; and to assist in the take-up of unused capacity in manufacturing industry, increasing employment and productivity. New arrangements were introduced which resulted in a margin of preference being routinely applied to Australian goods or the Australian content of goods. The margin ranged from 20 per cent for purchases of $5000 or less, 25 per cent for purchases of more than $5000 and less than $50,000 and a minimum of 25 per cent for purchases above $50,000.

During most of the 1980s, the Commonwealth Government applied a preference margin for Australian goods, and all state governments favoured goods produced in their states. From 1984, the key features of Commonwealth procurement policy were: the application of an automatic general preference margin of 20 per cent applying to all Australian and New Zealand (ANZ) goods; a revised definition of local content to reflect more accurately value added by local manufacture; and a limitation on the discretionary preference margin of an additional 10 per cent and the basing of eligibility solely on employment, defence strategic or high technology industry considerations. In 1988, the threshold for Ministerial discretionary consideration was raised from $100,000 to $1 million. ANZ content was calculated by deducting from the duty paid tender price the duty paid value of imported components, selling, distribution and installation expenses and profit margins. Overheads and general administrative expenses are regarded as part of ANZ content. The arrangements were seen primarily as an industry development initiative

In 1986, the Commonwealth entered the National Preference Agreement (NPA) with State governments. The NPA required State governments to extend the margin of preference applied by each State to products throughout Australia. The agreement was signed with the recognition that it was counter-productive for each state to use its purchasing power to attract industries from elsewhere in Australia. The NPA was extended to include goods from New Zealand in 1989. The NPA also provided a focus for work towards the harmonisation of Commonwealth and State procurement policies and programs. In 1991, the NPA was broadened to become the ANZ Government Procurement Agreement.

The Commonwealth Government abandoned formal preference margins in 1989 following advice from the Bureau of Industry Economics (1988) that found that the policy was having little effect on purchasing decisions and was inconsistent with both purchasing policy and industry policy.

Most civil offsets were removed in 1992 (except in relation information technologies) having been in place for most of the 1970s and 1980s. An offset requires a supplier, whose government tender contains significant foreign content, to generate new production, research or other activities to support local industry. Offset activities are in addition to those which would have occurred through normal commercial practices.

Sources: Bureau of Industry Economics (1988, pp. 49–50); JCPAA (1999, pp. 62–63); and PC (1996, pp. 7–12).

From 1992 to 1994, the primary objective of procurement policy was to provide an open and competitive procurement process that delivered value for money. Considerations for the development of domestic industry were largely confined to information technology and defence industries. However, pressures for policies that assisted local firms increased during the recession of the early 1990s. In its May 1994 White Paper on Employment and Growth, Working Nation, the Australian Government stated it was, 'restructuring its purchasing framework to use its capacity as a major purchaser of goods and services to promote the development of Australian industry strategically, without compromising on quality or price'. The Working Nation changes included industry impact statements and two envelope tendering, which introduced requirements for the development of domestic industry for large contracts. The Australian Government stated that it did not expect to have to pay higher prices for goods and services as a result of firms supplying to government having to achieve outcomes for the development of domestic industry.

The Commonwealth Procurement Guidelines (CPGs) applied until 2012 when they were replaced by the Commonwealth Procurement Rules (CPRs). Principle 5 of the CPGs stated, '...through its procurement, the Government seeks to promote the development of ANZ industry, including small and medium-sized enterprises (SMEs), by means that are consistent with the achievement of value for money objectives'. The CPGs contained a number of statements relevant to the provision of industry assistance, including that: the Government maintained its commitment that Commonwealth departments and agencies will source at least 10 per cent of their purchasing from SMEs; in major procurement projects of $10 million or more, agencies were required to identify clearly in tender documentation any industry development criteria and associated evaluation methodology; and where agencies purchased overseas goods in preference to ANZ goods, they were required to demonstrate that ANZ suppliers have had fair opportunity to compete.

Some form of local content preference has typically been applied in defence procurement resulting in high levels of industry assistance (Box G.2).

Box G.2 Local content preferences in defence procurement

The Australian Industry Capability (AIC) program potentially leverages work for local suppliers by including in tender requirements a definition that, for tenders to represent value for money, tenderers must describe how their proposed approach will enhance defence industry capabilities. The 'Defence Capabilities' are a set of pre-determined activities that must be resident within Australia or enhance self-reliance. However, addressing a capability in a tender document does not guarantee winning a competitive process against overseas bids.

The AIC program evolved out of earlier schemes from the 1970s and 1980s that mandated explicit levels of local activity (such as requiring local work for Australian industry of 30 per cent of the value of foreign contracts, though not necessarily tied to the actual purchase) and preference margins for local bids (such as tolerance of a 20 per cent cost premium). Whilst moving away from quantified local content rules, successive White Papers and Defence Industry Statements have signalled the intention to 'intervene' so as to increase local activity more than may otherwise occur under a price-only based acquisition approach.

The current 'intervention' arrangement is to state Priority Industry Capabilities (since 2009) and Strategic Industry Capabilities, which could act to influence the choice between local and overseas supply. Over time, the 'priorities' for local work appear to have increased. The 1994 White Paper identified four capabilities as most important for Australia's defence self-reliance. In 2009, 12 Priority Industry Capabilities were listed and the concept of Strategic Industry Capabilities was also adopted, introducing a further 12 activities where it was 'desirable' to have local activity.

In the absence of the Priority Industry Capabilities (and the thrust towards Australian self-reliance in some capabilities), it is likely that there would be less use of Australian suppliers by contract tenders. The amount by which the program increases returns to local suppliers is, however, difficult to quantify as the situation that would prevail without the program (the counterfactual) is not observable. The finding of Pappas (2009) that building military equipment in Australia can cost considerably more than having the same equipment built overseas suggests that the level of assistance provided to industry via the AIC programs is substantial. Any such cost differentials would need to be justified by clear strategic or other public benefits that outweigh the associated additional costs.

Sources: PC (2014c).

The recent international expansion of local preference policies

Local preference policies can take many forms, including:

- tax, tariff, and price concessions conditioned on local procurement, for example, price preferences awarded to domestic firms that bid on government procurement contracts
- mandatory minimum percentages required for domestic goods and services used in production
- import licensing procedures designed to discourage foreign suppliers
- discretionary guidelines that both encourage domestic firms and discourage foreign firms
- certain lines of business that can be conducted only by domestic firms
- data that must be stored and analysed locally or products that must be tested locally (Peterson Institute for International Economics 2014).

Local preference policies and requirements are a form of non-tariff trade barrier:

> *Many non-tariff barriers occur "behind the border," which makes them especially difficult to monitor and regulate internationally...One particularly contentious behind-the-border barrier to*

> *trade is discrimination in public procurement. Governments that discriminate in procurement systematically favour domestic producers over foreign ones when buying otherwise similar goods and services. A prominent example of explicitly discriminatory behaviour by the United States government was the "Buy American" provisions included in the 2009 stimulus bill, which required that all stimulus-funded projects use only American-made iron and steel. (Rickard & Kono 2013, p. 2)*

Even when there are no explicit preference margins applied, the web of requirements (e.g. industry plans, requirements to source or 'test the market' for local partners, and monitoring and reporting on local content outcomes within government) can raise the costs of tendering, put upward pressure on international supplier tender prices, or lead to decisions not to tender in the Australian market. While local businesses may see this as a gain, consumers in Australia and Queensland lose.

Following the Global Financial Crisis, there was a significant expansion in 'buy local' or local preference policies in public procurement:

> *Proponents of liberalized trade and finance were relieved when the global economic crisis in 2008 produced a broad range of pledges from countries around the world to avoid new barriers to trade and investment (see Evenett 2013). These promises, designed to avert a replay of the Great Depression of the 1930s, were largely honoured when it came to classic forms of protection (tariffs and quotas). But the spirit of that pledge was violated as countries shifted from traditional forms of protection to behind-the-border nontariff barriers (NTBs), including local content requirements (LCRs)—policies mandating that local suppliers of goods, services, and even entire projects be favored by governments and private firms, even when foreign firms offer lower costs, better quality, and faster delivery. (Peterson Institute for International Economics 2014)*

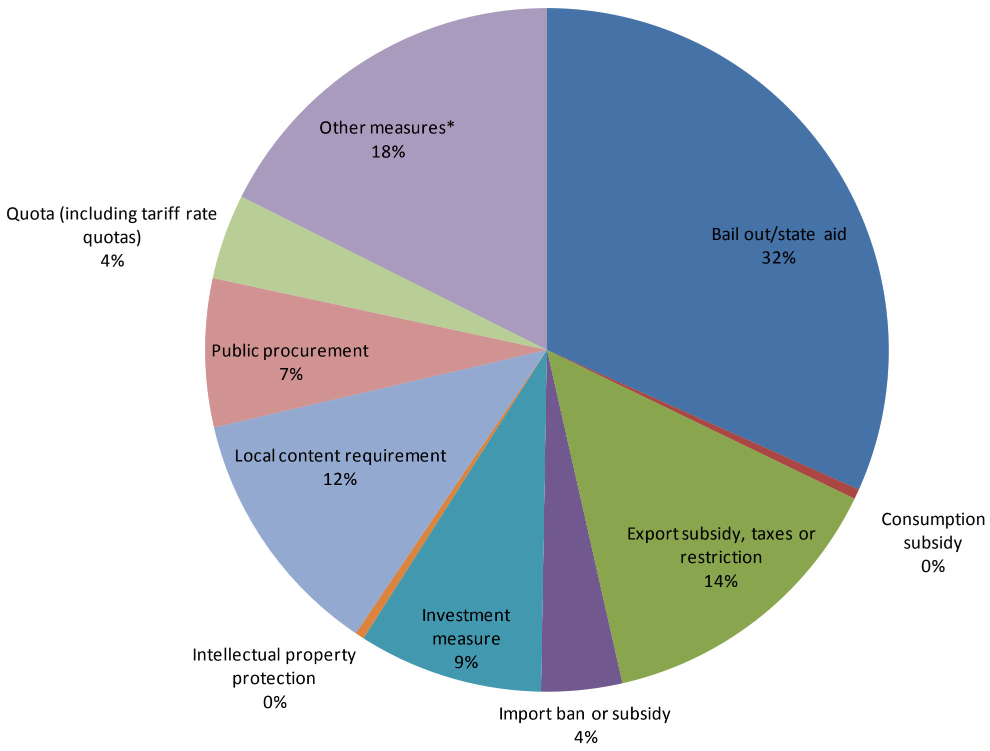
In the European Commission's 10th annual report on potentially trade restrictive measures, the Commission found that potentially trade restrictive measures had grown from under 100 measures in 2008 to 688 measures by June 2013. In its 11th annual report, the Commission noted the rate of expansion of procurement related restrictions had moderated:

> *This year's findings point to a relative decrease in the application of new restrictions in public procurement markets (17 measures) when compared to the surge in such provisions last year. However, there is still a noticeable trend of impeding access in public tenders for foreign players or products, and its evolution in the monitored period is on a par with the last 6 years' average. At the same time, global participation in the Government Procurement Agreement has not been widened. We therefore face a difficult situation in which both potential bidders and tendering authorities (and by the same token users and taxpayers) lose out, as public works projects in many countries do not benefit from the most competitive and possibly innovative solutions. In many cases the measures limiting tendering activities take the form of conditionality related to local content requirements or specific technical regulations, which makes it more difficult for foreign companies to participate, or which reduces the share of foreign inputs in project execution. (European Commission 2014a, p. 26)*

The 11th Global Trade Alert report on protection found that, while there had been a sustained increase in the use of trade defence measures (such as countervailing measures), resort to traditional forms of protectionism that are relatively better regulated by the World Trade Organisation, never exceeded 42% of measures implemented in any recent year. Governments circumvented tougher WTO rules and used policies subject to less demanding or no binding multilateral trade rules. Much of the discrimination is not transparent. The report stated that its findings did not imply that the WTO rules were useless, but that, so long as they remain incomplete, circumvention is to be expected (Global Trade Alert 2012, p. 2).

Global Trade Alert has tracked protectionist measures implemented or likely to be implemented since the GFC. As at April 2015, almost 2800 measures had been identified globally with public procurement measures accounting for 7 per cent of the protectionist measures (Figure G.1).

Figure G.1 Protectionist measures implemented since the Global Financial Crisis



*Notes: The data includes: measures implemented since November 2008 which almost certainly discriminate against foreign commercial interests (77 per cent of the measures); measures implemented since November 2008 which likely involve discrimination against foreign commercial interests; and measures announced or under consideration which would (if implemented) almost certainly involve discrimination against foreign commercial interests. Count of protectionist measures since the first crisis-related G20 summit in November 2008. * Other measures include: competitive devaluation; migration measures; non-tariff barriers not otherwise specified; other service sector measures; sanitary and phytosantiary measures; and state trading or controlled companies.*

Source: Global Trade Alert Statistics, data extracted 2 April 2015 at <http://www.globaltradealert.org/site-statistics>.

Recent Australian local preference policies

Some examples of recent Australian local preference policies include:

- The *Australian Jobs Act 2013* was introduced by the Australian Government to support the creation and retention of Australian jobs by: requiring Australian Industry Participation plans for major projects; and providing that an Australian Industry Participation plan for a major project will ensure that Australian entities have full, fair and reasonable opportunity to bid for the supply of key goods or services for a project, or, if the project involves establishing a new facility, the supply of key goods or services for the new facility's initial operational phase.
- The Western Australian Government *Local Industry Participation Framework* was introduced in 2014 and seeks to ensure local industry receives full, fair and reasonable opportunity to participate in major resource projects taking place throughout the state.
- The South Australian Government *SA Industry Participation Policy* was updated in 2014 , including the establishment of the Office of the Industry Advocate which aims to ensure local businesses leverage maximum opportunities from the state government's letting of procurement contracts.

- Victorian Competition and Efficiency Commission (2011a) noted that procuring agencies under the Victorian Industry Participation Policy (VIPP) could develop their own criteria and scoring methods for assessing the significance of tenderer's VIPP plans. Projects of strategic significance were required to have a minimum percentage of their value added provided by ANZ businesses
- The New South Wales Government implemented a broad ranging price preference scheme towards Australian and New Zealand SMEs in 2010, which was later rescinded after a change of government and the introduction of broad ranging procurement reforms (Box G.3). The Price Preference Schemes applied to the evaluation of bids for all goods and services procurement valued above $700,000.

Box G.3 NSW Government procurement — Local Jobs First Plan

ANZ Price Preference Margin

The Australia and New Zealand Price Preference Margin (ANZPPM) provided a 20 per cent price discount to be applied to the ANZ-SME content in offers from tenderers. This preference was applied in tender evaluations by giving a percentage discount to the ANZ-SME content that tenderers declared in their bids.

The percentage discount was not based on whether the tenderer was an SME, but the ANZ-SME content of goods and services offered by the tenderer. Therefore, a large tenderer that bought from SMEs and offered goods with embedded ANZ-SME content would receive the same benefit as another tenderer that offered goods and services with similar embedded content supplied by ANZ-SMEs.

Country Industries Preference Scheme

The Country Industries Preference Scheme was applied to support registered SME goods manufacturers in country (regional) NSW and provided for price preference margins of 2.5 per cent and 5 per cent depending on the location of the tendering firm, on top of the ANZPPM preference margin.

Source: NSW Government (2010).

Local Governments also provide assistance through procurement

Local government councils are not constrained by procurement obligations under international bilateral agreements. Many local councils have procurement policies which give explicit preferences to local businesses (Box G.4).

Box G.4 Gold Coast City Council local preference policies

For contracts under $200,000 quotes will only be issued and received from Gold Coast businesses or businesses with a branch office on the Gold Coast. If Gold Coast businesses or businesses with a branch office on the Gold Coast cannot supply, are deemed not capable of meeting Council's requirements as part of the quotation evaluation process, or are deemed as not providing value for money as determined by the specific quotation process, then the quotation process can consequently include suppliers from outside of the Gold Coast area.

For contracts over $200,000, scoring criteria provide a strong local preference. The local business mandatory scoring criteria provides a 15 per cent weighting based on locality plus a 2 per cent weighting related to the Gold Coast Business Excellence Awards. The weighted points are:

- 15 points — Gold Coast business (a business that has its head office on the Gold Coast).
- 12 points — branch office on the Gold Coast directly employing a minimum of 10 full-time equivalent (FTE) employees.
- 9 points — Branch office on the Gold Coast established for a minimum of 6 months directly employing less than 10 FTEs.
- 4 points — Logan City, Redland City, Scenic Rim, or Tweed Shire business (determined by head office location).
- 2 points — Queensland business.
- 1 point — interstate business.
- 0 points — overseas business.

Source: Gold Coast City Council (n.d.).

International agreements

WTO constraints on local content requirements

The aim of widening the number of countries applying rules on public procurement is being pursued through the adoption of WTO Government Procurement Agreement (WTOGPA) type provisions in the free trade agreements negotiated by the major WTO Members (see Box G.5 below). This, combined with the negotiation of accession to the WTOGPA of more countries, most notably China, means that a de facto regime for public procurement is emerging. Brazil, India, South Africa and some of the bigger ASEAN countries remain the major emerging markets that are still to agree to WTOGPA type rules on procurement.

Most of the free trade agreements follow the WTOGPA model in that they combine liberal framework rules covering transparency, contract award procedures and criteria and bid challenge that promote international best practice, with mercantilist, complex bilaterally negotiated schedules based on reciprocity (Woolcock 2008).

Framework provisions that enhance transparency in public procurement are likely to improve contract award procedures and enhance competition.

WTO constraints on local content requirements consist of provisions under four international agreements:

- the General Agreement on Tariffs and Trade (GATT): was a multilateral agreement regulating international trade. Its purpose was the substantial reduction of tariffs and other trade barriers and the elimination of preferences, on a reciprocal and mutually advantageous basis. GATT was signed by

23 nations in Geneva on October 30, 1947 and lasted until the 1994 Uruguay Round Agreements established the WTO on January 1, 1995. While GATT was a set of rules agreed by nations, the WTO is an institutional body. GATT is now the WTO's principal rule-book for trade in goods

- the WTO Agreement on Subsidies and Countervailing Measures (ASCM): addresses the provision of subsidies, and the use of countervailing measures to offset injury caused by subsidized imports
- the WTO Agreement on Trade-Related Investment Measures (TRIMs): applies to measures that affect trade in goods, but not services. It recognizes that certain measures can restrict and distort trade, and states that no member shall apply any measure that discriminates against foreigners or foreign products (i.e. violates 'national treatment' principles in GATT). It outlaws investment measures that lead to restrictions in quantities (violating another principle in GATT), including various forms of local content requirements
- the WTOGPA: the agreement established an agreed framework of rights and obligations among its parties with respect to their national laws, regulations, procedures and practices in the area of government procurement.

While WTO agreements have been effective in constraining the use of traditional protectionist measures, such as tariffs, the agreements have only achieved limited success in preventing the adoption of more subtle forms of protectionist and local preference policies.

The WTO Government Procurement Agreement (WTOGPA)

The objective of the WTOGPA is to subject government procurement to international competition by extending the principles of non-discrimination and transparency under the trading agreements covering trade in goods to the tendering procedures of specified government entities of signatory countries.

The WTOGPA is a plurilateral agreement which means that it applies only to those WTO members that have agreed to be bound by it. Countries which have acceded to the agreement include: Armenia; Canada; the European Union (27 member states); Bulgaria and Romania; Hong Kong, China; Israel; Japan; Korea; Liechtenstein; The Netherlands with respect to Aruba; Norway; Singapore; Switzerland; Chinese Taipei; and the United States.

An important cornerstone principle in the WTOGPA is the principle of non-discrimination amongst members (Box G.5). In respect of the procurement covered by the WTOGPA, Parties to the agreement are required to accord to the products, services and suppliers of any other Party to the agreement treatment 'no less favourable' than they give to their domestic products, services and suppliers.

Box G.5 Key elements of the WTOGPA

Government procurement was originally omitted from the scope of the main multilateral trade rules opening up market access. In the *General Agreement on Tariffs and Trade*, originally negotiated in 1947, government procurement was explicitly excluded from the key national treatment obligation.

A growing awareness of the trade-restrictive effects of discriminatory procurement policies and of the desirability of filling these gaps in the trading system resulted in a first effort to bring government procurement under internationally agreed trade rules in the Tokyo Round of Trade Negotiations. As a result, the first Agreement on Government Procurement was signed in 1979 and entered into force in 1981.

The *Agreement on Government Procurement (1994)* (WTOGPA) that is currently in force was signed in Marrakesh on 15 April 1994 — at the same time as the Agreement Establishing the WTO. The new Agreement entered into force on 1 January 1996. The WTOGPA is one of the 'plurilateral' Agreements included in Annex 4 to the Marrakesh Agreement establishing the WTO, signifying that not all WTO members are bound by it.

The WTOGPA covers only those government entities which are specified in the schedules to the agreement and distinguishes between central government, sub-central government (states and local authorities) and other entities (such as government trading enterprises). Each country nominates entities to be covered.

Goods and services are treated differently in the sense that the agreement applies to all goods unless excluded but only to those services which are specifically included in the schedules of the agreement.

In support of the objective of treating foreign suppliers and domestic suppliers equally, the WTOGPA deals in some detail with various issues relating to purchasing practice. These include: tendering procedures; use of specifications; conditions on the qualification of suppliers eligible to bid; publication of invitations to tender; time limits for tendering and delivery; tender documentation; and procedures for submission, receipt and opening of tenders and awarding of contracts.

'National treatment' in government procurement means that there should be no discrimination between domestic and foreign suppliers.

In general terms, 'offsets' are some kind of quid pro quo for the award of the contract outside of the negotiated transparent price. The use of offsets — measures to encourage local development or improve the balance-of-payments accounts by means of domestic content, licensing of technology, investment requirements, counter-trade or similar requirements — are explicitly prohibited in the Agreement. Notwithstanding this, developing countries may negotiate, at the time of their accession, conditions for the use of offsets provided these are used only for the qualification to participate in the procurement process and not as criteria for awarding contracts.

The WTOGPA only covers goods and services above 'threshold' values.

Entities under the national level government are only bound by the WTOGPA if listed in annexes.

Each signatory is required to provide a 'challenge mechanism' and unlike other WTO agreements private firms (along with governments) are given the right to take action in national courts against a scheduled government entity.

Source: PC (1996, pp. 111-2); and http://www.wto.org/english/tratop_e/gproc_e/gpa_overview_e.htm.

Australia is not a signatory to the WTOGPA, but has been an 'observer' since 1996. To be an observer a country's procurement policies and practices must meet certain conditions in relation to the technical specification of contracts, certain publishing requirements, and fair treatment of tenderers if procurement rules must be changed during a procurement.

The WTOGPA imposes obligations which limit the ability of signatory governments to provide trade related industry assistance measures. For example, the agreement prohibits entities from imposing, seeking or considering offsets in the qualification and selection of suppliers, products or services, or in the evaluation of tenders and the award of contracts. Productivity Commission (1996, p. 38) noted:

> *State procurement policies which discriminate against suppliers on the basis of country of origin and which take into consideration spin-off benefits to the local economy in the awarding of contracts are also likely to be incompatible with the [WTO Government Procurement Agreement].*

Williams (2004) points out that, as Australia is not a signatory, the procurement restrictions imposed by the WTOGPA do not apply to Australian governments:

> *At present, Australia is not a party to the WTO GPA Agreement. Therefore, Australia is able to give preference to Australian suppliers over all foreign suppliers (subject to compliance with certain existing bilateral treaty obligations). Australia is also able to require foreign suppliers to assume other obligations, which the relevant level of government decides, are appropriate for economic development in Australia (usually called 'offsets').*

The Australian Government has recently announced that it will launch a bid to join the WTOGPA (Robb 2015). The WTOGPA was revised in April 2014 with the Department of Foreign Affairs and Trade (DFAT) stating that the new agreement offers better market access and better reflects the needs and realities of modern procurement processes (DFAT 2015).

Problems with government procurement agreements

Like other bilateral trade agreements providing preferential access, government procurement agreements risk resulting in diverting trade from low cost to high cost countries. Preferential trading agreements and government procurement agreements may or may not capture the benefits of trade depending on their design:

> *Theoretical work has always highlighted that while the merchandise trade provisions of [Preferential Trading Agreements] can boost trade among members, this is often at the expense of non-members. So whether it benefits a country to join a [Preferential Trading Agreement] depends on the cost structures in partner countries, compared with the cost structures in third parties. If a preferential trade arrangement diverts a country's imports from a low-cost third party to a higher-cost preferential trade partner, it can be made worse off. Conversely, the opportunity for benefits is greater where the [Preferential Trading Agreement] partner is at world's best competitiveness, and where liberalisation under the [Preferential Trading Agreement] encourages imports from that source. (Adams et al. 2003, p. xi)*

Queensland Government public procurement policies are designed taking account of obligations under the bilateral preferential trading agreements signed with New Zealand, the United States, Chile, Korea and Japan. However, while politically harder to achieve, multilateral agreements are more likely to capture the benefits of trade.

The welfare consequences of preferential trading agreements are generally ambiguous: they can result in net benefits or net costs depending on the particulars of the agreement (P C 2010a). The simplest case is where an agreement preferentially reduces tariffs amongst its members, reducing one source of economic distortion by lowering the average tariff on imports from all sources. However, the agreement increases another distortion by raising the geographic disparity in tariffs.

Preferential trading agreements can result in a 'trade creation' effect where production is shifted from a high cost domestic source to a low cost agreement partner. This shifts production to where it is more efficiently undertaken and increases trade.

However, preferential trading agreements can also result in a 'trade diversion' effect where production is shifted from a low cost non-member to a higher cost agreement partner. Production is diverted to where it is less efficiently undertaken. While there is greater consumption of economic resources in production, the output from the diverted production can still remain price competitive, at least within partner countries, due to the preferential tariff arrangements.

Even in this simple case the net impacts on welfare are ambiguous for the member granting the tariff concession, for agreement members as a whole, and for the world as a whole.

In terms of Queensland Government procurement, trade diversion would occur if sourcing of goods is shifted from a low cost international supplier to a higher cost local supplier, or higher cost supplier from New Zealand, the United States, Chile, Korea or Japan.

Australia's past reluctance to accede to the WTOGPA at first appears inconsistent with the economic reforms of the 1980s and 1990s supporting an open and competitive trading environment:

> *Given Australia's recent record in moving toward internationally oriented policies aimed at fostering competition, a logical continuation of the government's reform policies is an open and competitive government procurement market. This report indicates that whether Australia liberalises its government procurement market through accession to the [WTOGPA] or by unilaterally removing discriminatory procurement practices, the resulting increase in competition in the domestic procurement market could bring appreciable benefits to the Australian economy. It also notes that, if Australia decides to accede to the [WTOGPA] it could seek to negotiate a strengthening of the Agreement, with the eventual aim of multi-lateralising the Agreement. (PC 1996, p. iii)*

The limited coverage of the WTOGPA and difficulties in ensuring behaviour consistent with the agreement, particularly for sub-national levels of government, means that there is significant scope to assist industry while not breaching obligations:

> *The fact that government procurement is excluded from coverage under GATT Article III means that within the WTO system, only the [WTOGPA] limits [local content requirements] attached to public procurement. However, the GPA effectively covers only a small share of federal and sub-federal procurement of goods and services, and only a limited number of WTO members are signatories. Furthermore, it often remains difficult for national governments to bind the practices of state and local governments. Any enlargement of GPA coverage would, as a matter of course, expand disciplines on the use of [local content requirements]. However, many GPA members will continue to take advantage of exceptions for specific projects and agency funds, thereby maintaining the flexibility to give preferential treatment to domestic suppliers. (Peterson Institute for International Economics 2014)*

Public procurement provisions in trade agreements can be viewed as falling into the category of either framework rules or liberalisation commitments (Woolcock 2008, pp. 4–7). Framework rules set out the procedures to be followed if public procurement is to be open, transparent and competitive. The framework rules in many procurement agreements are broadly similar to those contained in the WTOGPA.

Liberalisation commitments take the form of specified commitments to national treatment for procurement. The commitments are negotiated bilaterally and are usually based on reciprocity ('horse trading'). Even in the case of the WTOGPA, a plurilateral agreement, liberalisation commitments between countries are negotiated bilaterally.

The WTOGPA is a plurilateral agreement that encourages a conditional 'most favoured nation' approach to liberalisation based on reciprocal access. Reciprocity stipulations add considerably to the complexity of the WTOGPA and represent a major divergence from one of the fundamental principles of the WTO, namely 'most favoured nation' treatment across suppliers from all members.

The mix of positive and negative list approaches for the coverage of entities, goods and services, varying thresholds, and use of exemptions, undermine the transparency of the agreement. The WTOGPA structure requires that potential members undertake protracted and detailed bilateral negotiations with all parties to the Agreement (PC 1996, p. 24).

Rickard and Kono (2013, pp. 1–2) found that neither multilateral nor preferential procurement agreements were effective in reducing governments' propensity to buy local:

> *Do international treaties constrain national governments? The answer appears to be "yes" when it comes to the use of traditional barriers to trade, such as tariffs. Yet, while many governments have cut tariffs to comply with international agreements, they have often raised non-tariff barriers in their place. One increasingly prominent non-tariff barrier is discrimination in public procurement. Governments frequently discriminate against foreign suppliers in favor of domestic ones when buying goods and services. In an attempt to reduce procurement discrimination, international organizations, such as the World Trade Organization, have devoted ever more attention to members' procurement practices. Additionally, a growing number of preferential trade agreements seek to regulate public procurement. It remains unclear, however, whether international rules are effective in changing governments' purchasing behaviour. Using original data, we find that neither multilateral nor preferential procurement agreements substantially reduce governments' propensity to "buy national." These results illustrate the difficulty of regulating non-transparent policy areas via international treaties.*

The Productivity Commission (1996, p. 111) found that the reciprocal nature of the WTOGPA violates the fundamental most favoured nation (MFN) principle of the WTO (Box G.6) where all members grant each other treatment as favourable as that granted to any other country. For a period Australia favoured multi-lateral approaches over pluri-/bilateral approaches to negotiating trade relationships. However, the number of bilateral agreements has expanded rapidly since the Productivity Commission report.

Box G.6 The importance of the MFN principle

For a small open economy such as Australia, the principle of 'most favoured nation' treatment is a fundamental feature of any rules-based trading system. 'Most favoured nation' treatment means that all member countries are automatically able to enjoy the benefits of liberalisation in any member country, whether implemented unilaterally or as part of a negotiated outcome. From the perspective of a small open economy this approach serves as a powerful force for achieving liberalisation in world markets and avoiding discrimination by larger countries.

At the other end of the spectrum is bilateral sectoral reciprocity, where a country will not liberalise a particular sector with respect to imports from another country unless the other country does the same. This approach can act as a significant inhibitor of liberalisation. If all countries adopt a sectoral reciprocity approach, negotiations and agreements will only occur between those countries which are interested in exporting to each other's markets. For a small economy the likelihood is that its market size is insufficient to actively engage larger trading partners in negotiations on sectors of interest. In contrast to non-discrimination, bilateral sectoral reciprocity highlights the asymmetry of economic power between nations.

Given the weaknesses of the WTOGPA, Australia would need to exercise caution in negotiating accession to the Agreement. From Australia's perspective an ideal agreement on government procurement would include:

- an unconditional non-discrimination obligation
- comprehensive coverage (without a positive list coverage of entities, goods or services
- membership of all WTO signatories.

Sources: PC (1996, pp. 35–39); and Walker (1997).

The Industry Commission considered that the opportunity to exclude certain sectors or negotiate derogations at the central and sub-central government levels can, and does, significantly dilute the WTOGPA's coverage and its potential as an effective discipline on Australia in reforming its procurement practices at both the Commonwealth and state levels.

Bilateral and regional trade agreements may provide benefits, but they also entail risks:

> *While the provisions in BRTAs dealing directly with trade in goods, services and investment are likely to have generated some benefits for Australia, other provisions involve additional costs or risks. These include the AUSFTA-driven changes to Australia's intellectual property regime and government procurement requirements. (PC 2010a, p. xxv)*

To inform decision making about whether Australia should accede to the WTOGPA, Productivity Commission (1996) modelled the economy-wide impacts of removing all government purchasing policies discriminating against foreign businesses. Estimated impacts were small, but positive. Real gross domestic product was estimated to increase by 0.07 per cent in the long-run. Aggregate industry output, consumption, exports and imports were all estimated to increase in the long run. The real value of government expenditure was estimated to increase while its nominal value declined, implying that in the long run the government purchased more in quantity terms for less in value).

Benefits of government procurement agreements

There is evidence that procurement rules tend to benefit the national economy of the country applying them by promoting competition and specialisation within the national market and thus the more efficient use of public funds (Woolcock 2008). Empirical evidence shows that the greatest impact of rules on procurement is in the form of increased domestic competition (Evenett & Huekman 2004). Some of the increase in competition in the national markets comes from foreign suppliers who have established themselves in the host market. In other words, international competition has most probably increased through investment rather than through cross-border supply.

The benefits to Australia from signing the WTOGPA was found to most likely come from the disciplines imposed on Australian governments rather than access to overseas public procurement:

> *The most significant benefits to Australia of signing the agreement would appear to be based not on the issue of access to other countries' procurement markets, but the efficiency and transparency disciplines which would be placed on Australian governments to reform their own procurement procedures. This could apply not only at the Commonwealth level but importantly, in the context of this inquiry, on the State and possibly local governments.*
>
> *However, the effectiveness of the [WTOGPA] in this context would depend ultimately on the basis upon which Australia acceded to the agreement. Generally speaking, the more derogations and exceptions provided for in the agreement by Australia, the less effective the [WTOGPA] is likely to be in providing a discipline on Australian procurement policies. (PC 1996, p. 112)*

Of course, these benefits can be obtained without an international agreement where an Australian government chooses to unilaterally adopt non-discriminatory purchasing policies.

The benefits of government procurement agreements coming mainly from changes to the conduct of procurement was also found in a study of the impacts of preferential trade agreements:

> *Australia's preferential trade agreements have impacted on the policies and practices of government procurement in Australia. Early trade agreements with New Zealand and Singapore had minimal impact on Australian Government procurement as they substantially focused on non-discrimination with minimal restrictions on the conduct of procurement. By comparison, the AUSFTA introduced new procedural rules and requirements that aim to safeguard non-discrimination and transparency.... The revised procurement arrangements are generally seen as improving transparency and contestability. One by-product of the improved reporting and*

> *transparency arrangements is that the share of government contracts going to small and medium sized enterprises has increased in recent years. (PC 2010a, pp. 113–4)*

Other evidence suggests that the benefits of procurement rules for other signatories or third parties, in terms of enhanced market access, appear to have been limited. For example, even in the European Union where the reforms of the 1990s introduced extensive provisions aimed at creating an internal market for procurement, the volume of government procurement filled by cross border supply has remained limited. Expectations of enhanced market access has often motivated certain sectors to press for liberalisation of procurement markets. However, Woolcock (2008) considers that based on past experience the trade effects of international rules on procurement can be expected to remain modest.

Productivity Commission (1996, p. 39) noted the benefits of reforming state procurement policies in line with WTOGPA rules:

> *In acceding to the [WTOGPA], if the Australian governments make a firm commitment to reform the preferential state government procurement programs, the most wasteful elements of state government rivalry could be avoided or reduced. The continued use of preferential state and local government assistance such as procurement policies that promote the development of selected domestic industries has been found to have little or no positive effect on the welfare of Australians overall. Most selective assistance given by different states tends to at best shuffle jobs between regions and at worse reduce economic activity.*

Australia–New Zealand Government Procurement Agreement

The Australia–New Zealand Closer Economic Relations (CER) trade agreement seeks to develop trans-Tasman trade by affording preferential access to goods produced within the CER area. Preferential access is provided in the form of duty free entry for goods which satisfy rules of origin.

The Australia–New Zealand Government Procurement Agreement (ANZGPA) extends preferential access to government procurement. Both the Australian and Queensland Governments are parties to ANZGPA.

The agreement applies to procurement undertaken by government bodies (that is departments and other relevant public bodies including statutory authorities, which are controlled by the parties to the agreement). The agreement does not apply to procurement by any local authority, government owned corporation, body corporate or other legal entity that has the power to contract, except where the party exercises its discretion to determine that the Agreement will apply.

The objective of the ANZGPA is to create and maintain a single ANZ government procurement market in order to maximise opportunities for competitive ANZ suppliers and reduce costs of doing business for both government and industry. This is to be achieved by:

- ensuring the opportunity exists for ANZ suppliers to compete on an equal and transparent basis for government contracts in the Commonwealth, states, territories and New Zealand
- ensuring the absence of inter-state and trans-Tasman application of preference schemes and other forms of discrimination in government procurement, based on the place of origin of goods and services
  - an Australian state government cannot discriminate against either an interstate or NZ supplier
- working towards achieving the greatest possible consistency in contractual, technical and performance standards and specifications, and simplicity and consistency in the application of procurement policies, practices and procedures.

ANZGPA imposes various requirements on Queensland Government procurement policies and practices, as well as on entities under the Queensland Government's jurisdiction (Box G.7).

Box G.7 ANZGPA requirements for Queensland

Under the ANZGPA, Queensland is required to:

(a) at all times of the procurement process, conduct their procurement activities in accordance with the spirit and intent of this agreement

(b) ensure that all government bodies within its jurisdictions comply with the agreement

(c) provide to services, goods and suppliers of the other parties equal opportunity and treatment no less favourable than that accorded to its own domestic services, goods and suppliers

(d) promote opportunities for ANZ suppliers to compete for government business on the basis of value for money and avoid purchasing practices which are biased in favour of foreign goods and suppliers

(e) use value for money as the primary determinant in all procurement decisions

(f) achieve maximum practicable simplicity and consistency in the application of procurement policies, practices and procedures

(g) debrief unsuccessful ANZ suppliers on request.

Within this framework Queensland must seek to maximise competitive opportunities in its procurement for ANZ suppliers while conforming to any commitments under domestic and international government procurement agreements.

In accordance with Clause 2 (c) and (d) of this agreement, parties to the agreement will not use amongst themselves any form of procurement practice which:

- discriminates against
- is biased against, or
- has the effect of denying equal access or opportunity to any ANZ supplier.

Source: Australia Government (2013).

The ANZGPA takes a principles-based approach as it does not contain the prescriptive requirements of the bilateral agreements outlined below.

United States, Chile, Korea and Japan Free Trade Agreements

The Australia–United States Free Trade Agreement (AUSFTA), the Australia–Chile Free Trade Agreement (ACIFTA), the Japan–Australia Economic Partnership Agreement, and the Korea–Australia Free Trade Agreement[37] are bilateral trade agreements that incorporate a government procurement chapter. The agreements include mutual obligations in relation to national treatment and non-discrimination:

- Each party shall accord to the goods, services and suppliers of the other party treatment no less favourable than the most favourable treatment the party accords to its own goods, services and suppliers.
- Neither party may:
  - treat a locally established supplier less favourably than another locally established supplier on the basis of degree of foreign affiliation or ownership, or

[37] The Japan-Australia Economic Partnership Agreement entered into force on 15 January 2015. The Korea-Australia Free Trade Agreement entered into force on 12 December 2014.

– discriminate against a locally established supplier on the basis of goods or services offered by that supplier for a particular procurement are goods or services of the other party.

A central principle of the agreements is the elimination of local preference. Seddon (2013, p. 2) states, '...local preference must be eliminated and "offsets", that is, requiring a contractor to subcontract a certain percentage of work to domestic companies, are not permitted with exceptions for Defence and where measures are in place to support small and medium enterprises (SMEs).'

The term 'offset' means any condition or undertaking that encourages local development or improves a party's balance-of-payments accounts, such as the use of domestic content, the licensing of technology, investment, counter-trade and similar actions or requirements. Technical specifications shall not be prepared, adopted, or applied with a view to, or with the effect of, creating unnecessary obstacles to trade between the parties.

'Covered procurements'

The government procurement chapters specify requirements for government procurements which are deemed to be 'covered procurements'. Covered procurements are those which meet each of the following:

- the procurement is a contractual arrangement
- the agency (department) is listed in the agreements
- the value of the contract exceeds certain thresholds ($AUD 551,000 for goods and services, $AUD7.769 million for construction)
- any exclusions or exceptions do not apply.

The Queensland Government is a party to the bilateral agreements. Requirements apply to all departments as well as a number of other listed entities (agencies) depending on the agreement (e.g. the Queensland Police Service). The agreements do not apply to any procurement undertaken by a listed department or agency (or part thereof) on behalf of an entity not listed.

Procurement policies

The Queensland Procurement Policy

The Queensland Procurement Policy (QPP) is the overarching policy for the procurement of goods and services, including construction, by the state government. The QPP defines procurement as the entire process by which all classes of resources (human, material, facilities and services) are obtained. This can include the functions of planning, design, standards determination, specification writing, selection of suppliers, financing, contract administration, disposals and other related functions.

Departments and statutory bodies must comply with the QPP by virtue of the *Financial Management and Performance Standard 2009*. The Director-General Council is responsible for facilitating a whole-of-government approach to procurement. Accountable officers are responsible for ensuring the QPP is followed within their agencies. The QPP took effect from 1 July 2013.

The stated purpose of the QPP policy is to deliver excellence in procurement outcomes for Queenslanders. To achieve excellence in procurement the QPP enunciates a set of principles to guide public procurement decisions (Box G.8).

The 'value for money' principle

The overarching principle is that agencies base procurement decisions on 'value for money' criteria.

QPP Principle 1 states that the Queensland Government will drive value for money in its procurement practices. Principles 2-6 are seen as supporting principles. In the event of a conflict between Principle 1 and Principles 2-6, the policy states that value for money is to be the determining factor. This imposes an important constraint on industry assistance through procurement.

The Department of Housing and Public Works (DHPW 2014a) states that value for money is achieved where procurement achieves, '...the best return and performance for the money being spent'. Value for money is based on a broad concept of costs and not just the up-front price to agencies. Other cost-related factors to be taken into account include whole-of-life costs and transaction costs associated with the acquisition, use, holding, maintenance and disposal of goods (Box G.9). Non-cost factors to be taken into account include fitness for purpose, quality, delivery, service, support and sustainability impacts.

Box G.8 Queensland Procurement Policy

Primary principle:

Principle 1: We drive value for money in our procurement.

- Select the option that best provides value for money outcomes.
- Deploy the most appropriate strategies to facilitate the delivery of best procurement outcomes.

Supporting principles:

Principle 2: We act as 'one Government', working together across agency boundaries to achieve savings and benefits.

- Take a collaborative approach to planning and managing categories of expenditure.
- Maximise savings and benefits, and reduce duplication.

Principle 3: We are leaders in procurement practice - we understand our needs, the market, our suppliers and have the capability to deliver better outcomes.

- Encourage a culture of building the capability and performance of our people.
- Actively manage the performance of our procurement expenditure.
- Be outcome focused and look for opportunities to innovate.
- Engage with our customers to understand business needs, and seek to exceed expectations.
- Ensure efficient and effective use of valuable resources.
- Have an authentic involvement with our supply market and key stakeholders.

Principle 4: We use our procurement to advance the government's economic, environmental and social objectives and support the long-term well being of our community.

- Do business with ethical and socially responsible suppliers.
- Consider government’s objectives from a whole-of-government and category perspective, prioritising these for application in our procurement decision making.

Principle 5: We have the confidence of stakeholders and the community in the government's management of procurement.

- Put effective governance structures in place, which facilitate consultation and the realisation of savings and benefits opportunities from our procurement expenditure.
- Take a planned approach to our procurement, ensuring alignment across all levels of planning from whole-of-government to individual procurements.
- Manage risk through effective oversight, accountability and appropriate internal controls.

Principle 6: We undertake our procurement with integrity, ensuring accountability for outcomes.

- Respect the trust placed in us on behalf of the community.
- Be accountable for delivering timely outcomes using public resources.
- Ensure decisions are transparent and defensible.
- Meet expected standards of probity and accountability.

Source: Queensland Government (2013d, p. 1).

Box G.9 How the 'value for money' principle is to be achieved under the QPP

In seeking the best return and performance for the money being spent, the QPP states that agencies should consider the following factors when assessing value for money:

- overall objective of the procurement, and outcome being sought.
- cost-related factors including up-front price, whole-of-life costs and transaction costs associated with acquisition, use, holding, maintenance and disposal.
- non-cost factors such as fitness for purpose, quality, delivery, service, support and sustainability impacts.

Agencies will identify the procurement strategy and method (open, limited or selective) most appropriate to facilitating the delivery of the best procurement outcome based on an assessment of complexity, scope, opportunities and risks associated with procurement objectives, as well as the level of competition in the supply market.

Agencies will use the Procurement Centre of Excellence's eTender website to publish:

- all open tender opportunities
- notices of potential future procurements, where the agency has determined this will be of benefit to either the agency or supply market.

Agencies will ensure the Queensland Contracts Directory is maintained and up to date.

Procurement methods

Value for money is the primary principle guiding procurements irrespective of the procurement method selected. The QPP defines the following procurement methods:

- Open offer process: a procurement method where all interested suppliers may submit an offer.
- Selective offer process: a procurement method where suppliers that have met pre-established criteria are invited to offer.
- Limited offer process: a procurement method where the agency invites a supplier/s of its choice to offer.

A department may enter into a 'standing offer arrangement' meaning an arrangement established between the principal and the successful offeror (including without limitation a standing offer arrangement, a register of pre-qualified suppliers, panel arrangement or preferred supplier arrangement).

Source: Queensland Government (2013d, p. 3).

Australian Industry Participation

The Australian Industry Participation (AIP) National Framework encourages Australian, state and territory governments to adopt a consistent national approach to maximising Australian industry participation in investment projects, in Australia and overseas (Box G.10). The framework applies to major Australian Government procurements (generally above $20 million). Tenderers for certain procurements are required to prepare and implement an AIP Plan to highlight how they will engage with suitably qualified SME suppliers.

Box G.10 Australian Industry Participation National Framework

The Australian Industry Participation National Framework (AIP National Framework) was signed by Australian, state and territory industry ministers in April 2001. It sets out four strategic approaches to promote Australian industry participation: encouraging industry to meet world's best practice through capability building; early identification of opportunities for Australian industry participation in procurement; promoting Australian capability and integrating industry into global supply chains; and enhancing project facilitation and Australian industry participation.

In addition, each jurisdiction has its own industry participation policies aimed at increasing Australian industry participation in public and private sector investment projects.

Full, Fair and Reasonable Opportunity

Project proponents are encouraged to maximise Australian industry participation in investment projects by providing industry full, fair and reasonable opportunity to participate.

Free of interstate preferences

Governments reconfirm that they will not use purchasing preference arrangements, providing maximum benefit to industry across Australia and fostering Australian industry competitiveness.

Regional Development Policies

Recognising the needs and aspirations of regional communities, Governments have the flexibility to respond to regional issues within the Framework. Governments work to develop partnerships with communities and industry to meet the challenges facing regional Australia.

Competitive Neutrality

Governments are committed to the principle of competitive neutrality and agree not to use their legislative or fiscal powers to advantage their own businesses over the private sector.

Value for Money

When considering sources of supply for an investment project, project proponents are encouraged to consider Australian industry in terms of the value for money it offers over the life cycle of the project, including supply chain partnerships, access to a technologically literate, skilled and talented workforce supporting superior business infrastructure.

Transparency of Process

Transparency is a key tenet of good governance and should inform all policy and commercial dealings. Governments seek to develop policies, processes and criteria regarding investment projects that are clear and unambiguous. The private sector is also encouraged to incorporate the principles of transparency in its processes.

Policy Consistency and consistent with international obligations

A consistent policy environment has a significant bearing on reaffirming investor confidence and therefore maximising opportunities for Australian industry to participate in investment projects. Governments dedicate considerable resources to the policy making process to ensure policy decisions are relevant and timely, to allow for effective consultation and adequate lead in times, and to minimise the disruptions that may result from policy changes. Activities under the Framework will be consistent with Australia's international obligations, including under the WTO.

Source: Australian Industry Participation National Framework, accessed at http://www.industry.gov.au/industry/AustralianIndustryParticipation/Documents/AIPFramework.pdf.

The *Australian Jobs Act 2013* also imposes obligations in respect of Australian Industry Plans. Under the Act, major projects in Australia with a capital expenditure of $500 million or more are required to prepare and implement an Australian Industry Plan (AIP) plan.

The main obligations under the Act are for a project proponent (i.e. department or agency) to notify the Australian Industry Participation Authority of a potential project, to complete and submit an AIP plan to the AIP Authority and report compliance with the plan.

An AIP plan outlines how a project proponent will provide full, fair and reasonable opportunity to Australian industry to supply goods and services to the project. An AIP plan outlines how a project will provide opportunities for capable and competitive Australian businesses to bid for goods and services. Once the AIP plan is approved the project proponent needs to demonstrate compliance with the plan for the duration of the project (noting new facilities will need to continue reporting for two years into the project's operation).

Where a state or territory AIP or Local Industry Participation Plan exists, the Australian Jobs (Australian Industry Participation) Rule 2014 (the Rule) sets certain conditions that, if met, may exempt proponents from the additional burden of Commonwealth AIP requirements. For example, it must not give preference to suppliers located in one state or territory over another.

An evaluation of elements of the Australian Government Procurement Statement was conducted in 2012.[38] A further evaluation of Australian Industry Participation policies and program was undertaken in 2014 (the report was not available publically as at April 2015).

Queensland Industry Participation Policy

The *Queensland Industry Participation Policy Act 2011* provides for the development and implementation of a local industry participation policy for the State, and requires reporting to Parliament on the policy's implementation and government agencies', and government-owned corporations' (GOCs), compliance with it. The Act requires that the Minister develop and adopt a policy about the participation by local industry in projects, developments, procurements and other initiatives undertaken or funded, whether wholly or partially, by the state.

In developing the local industry policy, the Act requires that the Minister must have regard to the following objectives:

- maximising employment and business growth in Queensland by expanding market opportunities for local industry
- providing agencies and GOCs with access to a wide range of capable local industry in Queensland that can deliver value for money
- supporting regional Queensland
- developing local industry's long-term international competitiveness, and flexibility in responding to changing global markets, by giving local industry a fair opportunity to compete against foreign suppliers of goods and services
- promoting local industry's involvement in value-adding activities in Queensland
- driving technology transfer, research and development, innovation and improved productivity for local industry in Queensland, to enhance value for money.

[38] See http://www.industry.gov.au/industry/IndustryInitiatives/AustralianIndustryParticipation/Pages/default.aspx.

The *Charter for Local Content* (the 'Charter') fulfils this requirement.

Charter for Local Content

The Charter states that it is about the provision of a mechanism for government agencies to effectively and efficiently give consideration to a wide range of potential suppliers when making decisions relating to major procurements, rather than being about mandating that government agencies use local suppliers.

The Charter states that it is consistent with and complements the QPP. The Charter has the core objective of maximising local content through greater participation of capable local industry in major government procurement activities. Other objectives of the Charter include:

- encouraging more effective and adaptive approaches to maximising local content
- applying greater transparency in the expenditure of government funds
- providing greater certainty for government agencies in local content procurement
- adopting an efficient and effective tracking and review process for local content outcomes.

Charter principles

The Charter is guided by five principles:

- Principle 1: Full, fair and reasonable opportunity. Government agencies are encouraged to maximise local industry participation in government procurement projects by providing industry full, fair and reasonable3 opportunity to participate.
- Principle 2: Value for money. Government agencies are encouraged to apply the principle of achieving value for money in government procurement as described in the Queensland Procurement Policy.
- Principle 3: Regional development. Government agencies are encouraged to work in partnership with regional communities to develop industry capability and capacity, and secure broader economic and societal benefits, as appropriate.
- Principle 4: Transparency of process. Government agencies are encouraged to build transparency into their local content policies, processes and criteria to ensure clarity.
- Principle 5: Compliance with international obligations. Government agencies are to comply with Australia's international obligations, including those under Free Trade Agreements (DSDIP 2014a).

Box G.11 elaborates on Principle 1.

Box G.11 Achievement of full, fair and reasonable opportunity

The Best Practice Guidelines state that the principle of full, fair and reasonable opportunity can be achieved by:

- considering the project's whole-of-life from design to completion and ongoing maintenance
- ensuring at the tender preparation stage that tenders are packaged in a manner that optimises local industry opportunities while enhancing project competitiveness and value for money
- undertaking a Supply Market Analysis to identify potential local suppliers
- using Australia and New Zealand (ANZ) standards and codes 'or equivalent' in the formulation of specifications, tenders and the letting of contracts, wherever it is practicable to do so
- providing early notice to the market of a planned upcoming major procurement
- encouraging contractors and sub-contractors to support and report against the charter principles
- using the services of local content specialists such as Industry Capability Network Queensland (ICN Qld) and supporting the use of these specialists by contractors and sub-contractors.

The outcome from the application of the principle of full, fair and reasonable opportunity is expected to be either the awarding of a contract to a local supplier or an explanation to the supplier as to why they were unsuccessful.

Source: DSDIP (2014a).

Procurements covered by the Charter

Procurements with a total Queensland Government contribution of greater than \$5 million (exclusive of GST), or greater than \$2.5 million in regional Queensland are covered by the Charter.

Other procurement categories captured under the Charter include:

- any Public Private Partnerships (PPP) for projects and capital asset acquisitions greater than a capital value of \$5 million
- strategically significant procurements as determined by the procuring government agency
- Standing Offer Arrangements where expenditure is projected to exceed \$5 million over the life of the arrangement
- Queensland Government grants greater than \$2.5 million
- large infrastructure projects where funding of over \$20 million is provided by the Commonwealth through the Queensland Government.

Procurement of Information and Communications Technologies (ICTs) is excluded from the charter. Information Standard 13 sets out the ICT SME Participation Scheme and details the local industry participation requirements for Queensland Government procurement of ICT products and services (Chapter 15).

The guidelines state that government agencies should give serious consideration to applying the principles of the Charter to procurements that are of 'strategic' significance to Queensland, regardless of the value.

Implementation requirements on project proponents (departments)

The charter imposes various requirements on agencies at the pre-tender phase, the project award phase and the project delivery and completion phases (Table G.1). 'Agencies' include departments, statutory authorities and special purpose vehicles.

Table G.1 Requirements for agency compliance with the Charter for Local Content

Requirement	***Description***
Complete 'Procurement Notification' template	Government agencies are asked to advise the Department of State Development (DSD) about eligible procurements when the supply market analysis is being undertaken using the 'Procurement Notification' template. In the case of an eligible grant program government agencies are requested to advise DSD when establishing the grant program.
Include local content in supply market analysis	As per QPP guidance material, the charter asks government agencies to complete a supply market analysis as part of their significant procurement plan to identify work packages for which there are capable local suppliers and assist with determining the level of opportunity for local procurement. Based on the level of opportunity (the amount of work which is contestable by local suppliers), the government agency can make a determination as to whether a Statement Of Intent is beneficial.
Prepare a Statement of Intent	The purpose of a 'Statement of Intent' is for government agencies to outline their expectations and reporting outcomes for the project in relation to the principles of the charter. The Statement of Intent assists an agency to identify how local industry will be provided full, fair and reasonable opportunity to tender for work, particularly in relation to the contestable goods and services in the project. The Statement of Intent provides the agency with information for inclusion in tender documentation regarding local content, to assist project proponents evaluate tender responses and demonstrate local content opportunities and outcomes. The Statement of Intent also allows government agencies to capture the commitments of tenderers in a form which may be used as the basis for the contractual obligations of the successful tenderer. For projects of strategic significance the proponent (i.e. agency) may ask prospective tenderers to complete the Statement of Intent, otherwise it is completed by the agency.
Include charter principles in tender documentation	Tender documentation should be written to include: • the charter's six principals • local content as one of the general tender evaluation criteria • desired local content outcomes reporting requirements for the procurement • requirements to identify the economic benefits to Queensland arising from activities proposed in the Statement of Intent (quantifiable and qualitative), and how the proposed project will actively support the principles of the charter.
Review local content outcomes	Government agencies are responsible for demonstrating their delivery of the charter principles and the local participation outcomes of projects they deliver or sponsor. An annual review of local content in government procurement will be undertaken by DSD. The purpose of the review will be to ensure that the charter achieves its objectives and provides baseline data on the level of local content in Queensland Government procurement. The review will utilise data that is compiled by the Department of Housing and Public Works, Queensland Resources Council, and specific procurement reporting made available through Statement of Intents.

Source: DSDIP (2014a).

Implementation requirements on suppliers

Suppliers are required to have an understanding of the local content policies.

The information and compliance requirements on departments in turn impose requirements on suppliers. The Project Outcome Report Template submitted by departments gives an indication of the information required of suppliers. For each project, the template provides information on:

- the goods or services supplied (broken down by components so that the 'contestable' components of the goods or services can be identified)
- supplier's business name and business location (state and postal code)
- prior dealings with the lead contractor
- total invoice value
- for each of the contestable goods and services, where manufacturing was undertaken (per cent of total including labour costs) identified as: imported; rest of Australia and New Zealand; South East Queensland; or regional Queensland.

The template aggregates the above data into four summary indicators: total value and number of contracts placed for the project; and the value and number of contracts broken down by location (South East Queensland, regional Queensland, and outside of Queensland).

An objective of local content policies is to increase participation of local suppliers in public procurement. Charter documents state that if this objective is to be achieved, the policies require greater efforts on the part of non-local suppliers in coordinating supply offers with local industry participants.

Scope for the provision of industry assistance under the agreements

Bilateral agreements

The ANZGPA lists entities and classes of procurement that are exempt from the agreement's requirements, including:

- procurement conducted by Government bodies that trade in substantial competition with the private sector and would be placed at a significant commercial disadvantage if they were required to fully comply with all provisions of the agreement
- joint ventures with the private sector
- internal procurement of goods and services by a government from its own Departments or authorities is exempt from all provisions of the agreement where no other supplier has been asked to tender
- where procurement specifications include proprietary items to ensure machinery or equipment integrity
- the urgent procurement of goods and services in the event of emergencies, such as natural disasters, periods of national security or UN peacekeeping operations
- procurement of proprietary equipment of a work, health or safety nature specified in industrial agreements
- defence procurement of a strategic nature and other procurement where national security is a consideration will be subject to provisions prohibiting discrimination but will not be subject to monitoring.

Queensland local governments are also exempt from any obligations under the agreement.

The ANZGPA does not contain procurement exemption threshold levels.

The scope for preferences to be provided to local businesses is greater under the United States, Chile, Korea and Japan agreements than under the ANZGPA. National treatment and other obligations under these agreements do not apply for procurements below specified threshold values. In addition to threshold levels, each bilateral agreement includes a schedule/s of exclusions, exceptions and/or exemptions (see DHPW 2014b, Appendix 2, or chapter 15 of the agreement with the United States, Chile and Korea, and chapter 17 of the agreement with Japan). For example:

- procurement of goods and services by a regional or local government of a party to the agreement
- non-contractual agreements or any form of assistance that a party to the agreement or a government enterprise provides, including grants, loans, equity infusions, fiscal incentives, subsidies, guarantees, cooperative agreements, and sponsorship arrangements
- intergovernmental procurement where government buys from its own entities
- procurement of research and development services
- procurement for the direct purpose of providing foreign assistance.

Examples of Australia specific exclusions include:

- any form of preference to benefit SMEs. Chapter 15, Annex A, section 7, general notes to the AUSFTA provides:

> *This Chapter does not apply to:*
>
> *(a) any form of preference to benefit small and medium enterprises.*

- measures to protect national treasures of artistic, historic or archaeological value
- measures for the health, welfare, or economic and social advancement of indigenous people
- plasma fractionation services.

Examples of Queensland specific exclusions include:

- procurement by covered agencies on behalf of non-covered agencies
- health and welfare services
- education services
- government advertising
- motor vehicles
- measures necessary to protect public morals, order or safety
- measures necessary to protect human, animal or plant life or health
- measures necessary to protect intellectual property
- measures relating to the goods or services of handicapped persons, of philanthropic or not for profit institutions, or of prison labour.

In respect of the SMEs exclusion, DHPW (2014b, p. 22) states that an SME is defined in the Queensland Procurement Policy as an Australian or New Zealand firm employing less than 200 people.

Most Favoured Nation status

Under the GATT and WTO multi-lateral agreement norms of reciprocity and non-discrimination, countries are not normally permitted to discriminate between their trading partners. A special favour granted to suppliers from one nation (such as a lower customs duty rate for one of their products) has to be extended to the suppliers from all other WTO members. This principle is known as the Most Favoured Nation treatment.

However, in bilateral reciprocal relationships a particular privilege granted by one party only extends to other parties who reciprocate that privilege. There is no obligation on Australian governments to extend preferential access arrangements granted to businesses from New Zealand, Chile, United States, Korea and Japan to businesses from other countries.

Notwithstanding the bilateral agreements, Australian governments can take unilateral action through domestic policies that extend any preferences granted under bilateral agreements to suppliers from any or all other countries. To some extent the Australian Government and the Queensland Government do this through application of the value for money principle, but then 'back track' through various exclusions and other policies loaded on to procurement decisions. The result is that bilateral agreements have the effect of creating protected markets for government procurement between Australia and the partner country.

Economic, environmental and social objectives

Principle 4 of the Queensland Procurement Policy permits procurement decisions to take into account economic, environmental and/or social objectives rather than solely 'value for money' considerations (Box G.12).

The introduction of objectives other than value for money means that prices paid to suppliers might be higher than the case where there is a strict focus on value for money achieved through open and competitive tendering processes.

Box G.12 Queensland Procurement Policy — economic, environmental and social objectives

Principle 4 permits procurement decisions to be based on economic, environmental and/or social objectives rather than solely 'value for money' considerations, where guidance is provided by the Director-General Council. This includes providing guidance on the application of competing government objectives which impact on procurement. This guidance may be issued in the State Procurement Plan or State Category Plans.

Principle 4 will be achieved through:

- agencies will use their best endeavours to do business with ethical and socially responsible suppliers, and will seek to influence the supply chain in this regard. This may include considering the sustainability credentials of suppliers, to ensure they are ethically and socially responsible.
- the Director-General Council may provide guidance to agencies about opportunities within procurement categories across government for the generation of economic, social or environmental benefits for Queensland. This includes providing guidance on the application of competing government objectives which impact on procurement. This guidance may be issued in the State Procurement Plan or State Category Plans.
- agencies will consider strategies in their significant procurement planning activities, to ensure that competitive local suppliers are afforded a full, fair and reasonable opportunity to supply government.
- procurement decision making for low value and low business risk procurement should be delegated to a level closest to the geographical location where the good or service is to be supplied (except where limited by whole-of-Government requirements and/or common-use supply arrangements established under this Policy).

Source: Queensland Government (2013d).

Charter of Local Content

The guidelines to the Charter state that government agencies should give serious consideration to applying the principles of the Charter to procurements that are of 'strategic' significance to Queensland, regardless of the value of the procurement (Box G.13).

Where a government agency determines that a project is strategically significant it has the option of preparing a Statement of Intent to demonstrate how local content opportunities will be addressed. Supplier market analysis is used to identify procurement 'work packages' that are contestable and where local capability exists.

Box G.13 'Strategic' significance under the Charter for Local Content

The following questions are provided as guidance to agencies in determining whether a procurement is of strategic significance:

- Will it have a significant employment and business impact for a regional economy?
- Will it support significant regional development for communities in the project’s proximity?
- Is there potential for it to have a significant positive impact on local industry’s long-term international competitiveness?
- Will it promote local value-adding activities?
- Will it drive research and development, innovation and improved productivity for businesses located in close proximity to the procurement?

Examples given include:

- infrastructure projects, such as a road, ambulance or police station, school, public housing, hospital/health centre extension in a rural town or regional centre
- procurement in an area of high unemployment or an area affected adversely by economic or other events such as a natural disaster.

Source: DSDIP (2014a, p. 9).

The Charter imposes requirements on agencies at the pre-tender phase, the project award phase and the project delivery and completion phases. Some examples include:

- tender documentation should be written to include:
  - local content as one of the general tender evaluation criteria
  - desired local content outcomes reporting requirements for the procurement
  - requirements to identify the economic benefits to Queensland arising from activities proposed in the Statement of Intent (quantifiable and qualitative), and how the proposed project will actively support the principles of the charter
- government agencies are responsible for demonstrating their delivery of the Charter principles and the local participation outcomes of projects they deliver or sponsor. An annual review of local content in government procurement will be undertaken by DSD.

The requirements on agencies in turn impose requirements on suppliers.

Information and Communications Technologies and local content

The scheme was introduced to help SMEs gain greater access to the Queensland Government ICT market. It is in principle open to SMEs from any location, but SMEs suppliers are more likely to be local compared to large businesses, and there are various aspects of the scheme which do specifically target local SMEs (e.g. the Standard requires agencies to identify and invite local SME suppliers to respond to an agency's Invitation to Offer).

SME participation in offers will likely affect the probability of winning the tender. The scheme makes this quite explicit by incorporating SME participation scores calculated on the net proportion of the contract which is to be paid to SMEs relative to other tenderers. The SME participation score contributes 10 per cent to the final tender score.

Agencies can also directly engage SMEs in the provision of innovative solutions up to $500,000 which demonstrates value for Queensland in addressing a broad range of government priorities.

Modelling the Queensland-wide impacts of a hypothetical ICT preference policy

Chapter 11 presented the results of the economy-wide modelling of a theoretical shift in ICT procurement of $100 million to local suppliers. This section provides background on the key assumptions and limitations of the modelling.

Standard model closure assumptions

The key closure assumptions adopted for the simulations are:

- the supply of labour in each region (Queensland and Rest of Australia) is maintained at base case levels, implying that there is no simulation-induced natural increase in population or interstate migration
- the level of employment is flexible and real wages are 'sticky' in the short run, but over time real wages adjust relative to the base case such that the level of employment returns to base case levels in each region
- the capital stock in each year is determined by investment activity and depreciation in the previous year. Over time, the capital stock adjusts such that rates of return, which deviate in the short run, return to base case levels
- real government consumption varies in line with real household consumption
- at the federal and state level, government budget positions are maintained at base case levels through costless transfers to/from households.

Limitations

A number of simplifying assumptions were made in modelling the impacts of the policy:

- A key factor in this simulation is the responsiveness of the labour market to any policy changes. It is assumed that the elasticity of supply for skilled labour is the same as that for all labour. This is an unrealistic assumption as it is likely that the availability of skilled labour (such as would be required for the ICT sector) would be significantly lower than for unskilled labour. As a consequence the simulation is likely to overestimate the ability of local ICT firms to quickly adapt to increases in demand.
- The ability to define the ICT industry is limited by how commodities and industries are defined in the model's database. For example, the database identifies internet publishing and broadcasting and internet service providers, web search portals and data processing services as being a single combined commodity. It may be that the procurement policy covers procurement of data processing services but not web search portal services.
- Similarly, the model's database does not separate the cost of public administration in Queensland produced for the federal government from that produced for the state government. Ideally, the production of public administration would be separated into its federal and state components;

however this was not possible within the scope of this exercise. A simplifying assumption was made to ensure that the revenue implications of the simulation are met by the Queensland Government. This assumption is unlikely to change the macro-economic results of the simulation; however it may have minor effects on the results for some industries.

- The simulation does not take into account any 'retaliation' that may occur as a result of the Queensland Government undertaking preferential treatment of local ICT suppliers. For example, it is possible that foreign governments would retaliate by introducing trade restrictions on Queensland or Australian ICT exports.

Shock specification

The policy scenario involves a $100 million switch in the procurement of ICT services by government related industries from imported services to Queensland produced services. The 2014–15 base case procurement for the relevant industries is shown in Table G.2.

Table G.2 Sourcing of ICT by government related industries, 2014–15 base case ($ millions)

	Qld	Rest of Australia	Rest of World	Total
Public administration and safety (exc. Defence)	621	135	17	772
Education and training	392	96	18	507
Health care and social assistance	275	78	7	360
Total	1288	310	41	1639

Source: Modelling results.

Of the $1639 million of ICT services consumed by the three relevant industries, $1288 million is already sourced from Queensland under the base case.

The additional $100 million switch to Queensland produced ICT under the policy scenario is achieved according to the break-up shown in Table G.3.

Table G.3 Components of $100 million shock ($ millions)

	Qld	Rest of Australia	Rest of World
Public administration and safety	43	–38	–5
Education and training	33	–27	–5
Health care and social assistance	24	–22	–2
Total	100	–88	–12

Note: Calculations, numbers may not add due to rounding.

Source: Modelling results.

Note the base case projections of the value of ICT services consumed by government are based on a 2006-07 input–output table which has been updated to 2013-14 by accounting for observed macroeconomic change in the Queensland economy since 2006-07 and then projected out to 2025-26 based on assumed future trends and conditions. The structure and value of actual government ICT procurement may differ from that estimated in the base case.

Local preference policies as tariff equivalents

An alternative modelling approach to investigate the impacts of local preference policies is to model the policies as tariff equivalents.

Local preference policies are a form of non-tariff trade barrier and behave similarly to tariff policies which restrict trade. Tariffs on imported goods increase the price at which those goods are sold on the Australian market, and thus allow scope for domestic producers of competing products to increase their prices. Tariffs also increase the price of local and imported goods that are used as inputs and thus penalise local user industries.

Local preference policies may allow local producers to raise prices at the margin similar to the case of tariff output assistance. Whereas tariffs directly raise the price of inputs used as intermediate inputs in production (the input penalty), the cost impacts of local preference policies on industries not supplying goods and services to government operates mainly through the tax system. Where local preference policies increase the prices paid for goods and services provided to government, then taxation is necessarily raised. Therefore, the tax system transmits the impacts of local preference policies to other industries impacting on their output and employment.

While tariffs and procurement preferences can have similar effects, there are also differences apart from impacts being transmitted through the tax system:

- preference policies are less transparent than tariffs making external scrutiny of the policies more difficult
- the costs of the policies are more difficult to calculate
- preference policies discriminate between goods on the basis of the level of government purchasing (Bureau of Industry Economics 1988, p. 14).

The Bureau of Industry Economics considered that the above problems with preference policies suggested that tariffs are likely to have an overall lower net cost to the economy, and, therefore, are preferred over preference policies. As the case against protection of industry through tariffs has been thoroughly made, that literature also undermines support for preference policies.

Productivity Commission (1996) modelled the economy-wide impacts of removing discriminatory purchasing policies in accordance with the WTO Agreement on Public Procurement. The potential impact of removing discriminatory purchasing policies from all government procurement was simulated by removing the tariff equivalents implied by discriminatory procurement policies affecting imported goods and services purchased by the government. Calculated tariff equivalents varied widely by sector from zero for some sectors up to 191 per cent for agricultural machinery.