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COMMONWEALTH BUDGET 2014-15

Department of Industry Programs

Summary as of 6 June 2014

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There has been a significant change in Commonwealth industry development programs, away from the direct assistance to companies and towards a more broadly based approach to supporting business growth, (ie public good not private good). The R&D tax credit, CSIRO funding and the CRC program have been reduced.

Perhaps the best opportunities for companies seeking to expand are the programs to improve business skills, a range of new training programs and the new Manufacturing Transition Grants program, details of which are yet to be defined.

General Points

This summary applies only to programs directly relevant to food manufacturers.

A range of changes are proposed to business tax and superannuation that have wider business implications. These will not be addressed below. For more details contact your accountant or financial planner.

The Treasurer, Joe Hockey, summarised the key points for the budget in a speech to the Australian Council for Social Service, ACOSS, as being;

- a real need to improve productivity.
- an unsustainable growth in spending over recent years.
- a need for government surpluses as our national savings rate is low.
- a need to reduce the spread of welfare while maintaining a safety net.

The Secretary of the Treasury, Martin Parkinson, in a recent speech to the Economics Society, spoke of three key economic priorities as being;

- the drivers of change that are reshaping the globe, and changing the environment in which Australia is operating, with all the opportunities and challenges that presents;
- the risks to future living standards resulting from an ageing population, declining terms of trade, and weak productivity performance; and

- the importance of ensuring fiscal sustainability and, in particular, of addressing the two significant gaps between what the public expects of government and what governments can actually do, and between what people expect of government and what they're actually willing to pay for.

Dr Parkinson said the 2014-15 Budget has several distinct elements;

- First, the measured pace of fiscal consolidation, which reflects both the short-term economic realities and a conscious decision to focus on structural reforms to build fiscal resilience. Some of these structural reforms go to the heart of the two sustainability gaps.
- Second, a compositional switch in expenditure, with current consumption being reduced and investment in new assets being prioritised.
- Third, a decision to ensure headroom for future tax cuts to offset the effects of fiscal drag, which is damaging for workforce participation and reduces the progressivity of the tax system.

Changes are also proposed for school and university funding which seem to mean individuals paying a greater proportion of the cost of their education. University fees will be fully deregulated but universities will be required to use 20% of this increased fee revenue for scholarships for disadvantaged people.

Smaller government and red tape reduction are key elements of programs across government.

Food Processing Issues

A range of changes to general manufacturing programs is proposed. Those which appear to affect food processing companies are outlined below. Some changes apply to other sectors eg motor car manufacturing and the clothing industry. These are not covered.

Some programs will have the details of application developed over time with industry consultation. Companies may wish to liaise with their industry association regarding this consultation.

The Industry Portfolio Budget Statement speaks of a new direction for Industry Policy (<http://www.innovation.gov.au/AboutUs/Budget/Pages/default.aspx>). The core priorities of the department are;

- developing the skills of the Australian workforce and enhancing workplace productivity.
- supporting science and innovation and promoting the growth of industries of the future.
- encouraging private sector investment and creating new jobs.
- improving regulation and reducing the burden and costs on businesses, including energy costs.

New programs, with details to be developed, include;

- an Entrepreneurs Infrastructure Fund, aimed at business and commercialisation skills. A Discussion Paper on this scheme is on the AusIndustry website, <http://www.ausindustry.gov.au/Pages/default.aspx>.
- an Industry Skills Fund, to assist businesses train staff.
- an Trade Support Loans, to assist apprentices finish their training, and
- a Manufacturing Transition Grants Program, which specifically mentions food and agribusiness, and is intended to assist in the move from traditional manufacturing to knowledge intensive industries.

Programs to be abolished or significantly reduced include;

- The R&D Tax Credit, to be reduced. The rates of the refundable and non-refundable offsets will be reduced by 1.5 percentage points to 43.5 per cent and 38.5 per cent respectively, from 1 July 2014.

- Ethanol Production Grants.
- Clean Technology Innovation Program, including the food and foundries investment program.
- Commercialisation Australia.
- Enterprise Solutions.
- Innovation Investment Funds.
- Industry Innovation Councils.
- Enterprise Connect and
- Industry Innovation Precincts, including Food Innovation Australia (FIAL), the food industry precinct. The three year budget for FIAL will be honoured. There will be no new precincts.
- Mediation services for the Horticulture Code of Conduct and the Produce and Grocery Industry Code of Conduct.

A number of programs related to renewable energy have also been abolished or scaled down, including the Australian Renewable Energy Agency and the Carbon Capture and Storage Flagships program.

The three core programs of the Commonwealth Department of Industry are;

1. Building Skills and Capability.
2. Supporting Science and Innovation.
3. Encouraging Investment.

Activities under these three programs include the following.

Building Skills and Capability

A key feature is to establish an industry driven, outcomes focussed, vocational education and training system. This will include;

- An Industry Skills Fund, with a budget of \$7M, \$38M and \$44M over three years. This will assist businesses with specific training needs.
- A Skills Development program, to include;
 - Australian Apprenticeship Centres, with a budget of \$220M pa, for 45 centres.
 - Australian Apprenticeships Incentives Programme, approx. \$500 M pa, to assist employers.
 - Job Ready Programme—Trades Recognition
 - Trade Support Loans, with loans to apprentices to assist them to finish their training.
- Access to training, to include;
 - Adult Migrant English Programme, approx. \$240M pa
 - National Foundation Skills Strategy, approx. \$1.2M pa
 - Skills for Education and Employment Programme, approx. \$250M pa
- Support for the National Training System, including;
 - Industry Workforce Training
 - My Skills Website
 - National Centre for Vocational Education Research
 - National Skills Standards Council
 - National Training System COPE
 - National Partnership on Skills Reform (NP)
 - National Agreement for Skills and Workforce Development (SPP)

Support Science and Innovation

This includes two main areas.

- Science awareness, infrastructure and international engagement. Programs include;
 - Asia Link Business Link.
 - Australian Astronomical Observatory.
 - Australia Science Research Foundation.
 - Australia India Research Fund.
 - Science for Australia's Future.
 - Square Kilometre Array.
- Business research, development and commercialisation. Programs include;
 - Cooperative Research Centres Programme, approx. \$150 pa
 - Early Stage Venture Capital Limited Partnerships
 - Innovation Investment Follow-on Fund
 - Pooled Development Funds
 - Pre Seed Fund
 - Research & Development (R&D) Tax Incentive
 - Venture Capital Limited Partnerships
 - Venture Australia—extension and enhancement

Encouraging Investment.

This includes five areas.

- A Competitive Marketplace, with funding for the Australian Business Number and Business Names Registration system and several smaller programs.
- Business and Market Development, including;
 - Australian Small Business Commissioner
 - Entrepreneurs' Infrastructure Programme, to assist SMEs improve business management and commercialisation skills. Funding of \$60M, \$80M and 95M pa.
 - Small Business Advisory Services, \$7M pa.
 - Small Business Support Line
- Economic Transition
 - Australian Government Innovation and Investment Fund (Tasmania)
 - Automotive Diversification Programme, for car parts manufacturers.
 - Manufacturing Transition Grants Programme, to be developed. Funding of \$2.6M, 34M and 13M
 - Next Generation Manufacturing Investment Programme, to be developed. Funding of \$nil, 10M and 15M.
 - Regional Infrastructure Programme, to be developed. Funding of \$4.6M, 10M and 9 M.
- Resources, mainly related to the mining and oil industries.
- Energy
 - Australian Renewable Energy Agency Funding scaled back significantly)
 - Energy Efficiency Programmes, for Councils, community groups and low income households and improved access to information for SMEs.
 - Greenhouse and Energy Minimum Standards National Legislative Framework
 - National Solar Schools Plan (SPP).