Australian Government
Productivity Commission

Trade & Assistance Review 2004-05

Methodological Annex

Allocating Budgetary Assistance by Industry Groupings: Recent Revisions

Contents

Introduction

The *Productivity Commission Act 1998* defines government assistance to industry as:

> … any act that, directly or indirectly, assists a person to carry on a business or activity, or confers a pecuniary benefit on, or results in a pecuniary benefit accruing to, a person in respect of carrying on a business or activity.

Assistance thus takes many forms. It extends beyond direct government subsidies targeted to particular firms or particular industries, and includes tariffs, quotas, anti-dumping duties and regulatory restrictions on imported goods and services, as well as tax concessions and subsidies for domestic producers. Assistance also arises from the provision of underpriced services by government agencies and from government procurement policies.

The Commission has a statutory obligation to report annually on industry assistance and, as one part of meeting this requirement, the Commission provides annual estimates of budgetary assistance to industry. These estimates cover those budgetary measures that selectively assist particular businesses, activities or industries and can be quantified given practical constraints in measurement and data availability. They cover the budgetary assistance provided by the Australian Government, but not normally that provided by state, territory and local governments. The estimates exclude outlays on defence, health, education and the labour market. They also exclude measures the benefits of which are generally available to all firms, such as road funding. The Commission's approach to measuring budgetary assistance is explained in detail in Methodological Annex A of *Trade & Assistance Review 2001-02* (PC 2002b).

As well as reporting an aggregate estimate of budgetary assistance provided by the Australian Government, the Commission disaggregates its estimates to provide an indication of which sectors and industries benefit from the assistance.

- Prior to 2000, estimates had been reported only at the sectoral level — that is, for primary production, mining, manufacturing, and services.
- To provide more detailed information on the incidence of this assistance, in 2000 the Commission disaggregated its estimates for the manufacturing and services sectors into 11 and 14 industry groupings respectively. The methodology used to allocate budgetary assistance to these industry groupings was described in the Methodological Annex to *Trade & Assistance Review 1999-2000* (PC 2000).

- In 2002, further detail was provided by disaggregating the estimates for the primary production sector into 10 industry groupings. The methodology used to allocate budgetary assistance to these industry groupings was described in Methodological Annex B to *Trade & Assistance Review 2001-02* (PC 2002b). As a result of this work, since 2002 the Commission has reported estimates for 36 industry groupings (plus 4 *unallocated* groupings).
- For the estimates in *Trade & Assistance Review 2004-05* (PC 2006), the Commission combined two of the industry groupings in the primary production sector such that, in total, it now reports estimates for 35 industry groupings (plus 4 *unallocated* groupings).

In preparing *Trade & Assistance Review 2004-05*, the Commission also revised the methodology and allocations for a number of specific programs.

In this annex, the Commission:

- outlines the classification system used, including the recent revision (chapter 1);
- explains the way budgetary assistance has been allocated using the system (chapter 2); and
- provides a program-by-program breakdown of allocations for programs included in the latest review:
  - that have been added to the Commission's estimates since the earlier Methodological Annexes were published (chapter 3); and/or
  - for which the allocation methodology has been revised in recent years.

Research for this project has been undertaken by Wayne Crook and Robert Wells, with additional input from Richard Adams, Duc Nguyen-Hong and Tom Nankivell.

The Commission would welcome any comments on particular allocations of budgetary assistance that have been made.

1 Industry classifications

The Commission's 35 industry partition of the Australian economy is based on the Australian and New Zealand Standard Industrial Classification (ANZSIC) system.[1]

There are 17 industry 'divisions' in the ANZSIC system, which include primary production, mining, manufacturing and 14 service industries.[2]

The Commission divides the manufacturing division into its 9 subdivisions and, in the case of the *Machinery & equipment* subdivision, further divides it into 3 sub-parts. (For a discussion, see chapter 1 of Methodological Annex to *Trade & Assistance Review 1999-2000* (PC 2000).)

The primary production division is divided into 9 sub-parts.[3] These include a mix of ANZSIC 'subdivisions' (2 digit ANZSIC classification level) and ANZSIC 'groups' (3 digit ANZSIC classification level). (For a discussion, see chapter 1 of Methodological Annex B to *Trade & Assistance Review 2001-02* (PC 2002b).)

The mining division and each of the 14 services divisions are not disaggregated further.

For convenience, all 35 industries are referred to as 'industry groupings'. Finally, three additional categories cater for budgetary programs that the Commission is unable to allocate to industry groupings within the primary production, manufacturing, and services sectors, and another category picks up the remaining unallocated programs. Table 1.1 lists all of these categories.

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1 The Australian and New Zealand Standard Industrial Classification (ANZSIC) system replaced the Australian Standard Industrial Classification (ASIC) system in 1993. The ANZSIC system was developed to improve the comparability of industry statistics for Australia and New Zealand. International comparability was also enhanced by aligning the ANZSIC with the International Standard Industrial Classification (ISIC).

2 In ANZSIC, the primary production division as *Agriculture, Forestry and Fishing*.

3 For *Trade & Assistance Review 2004-05*, the *Marine fishing* and *Aquaculture* industry groupings in the primary production sector were collapsed into one industry grouping — termed *Commercial fishing*. This reflects the difficulties entailed in allocating some assistance to Commercial fishing between the two sub-sectors, and that measured assistance to neither of these sub-sectors is significant.

Table 1.1 **ANZSIC codes used for budgetary assistance allocation**

ANZSIC code	*Division, subdivision or industry group*	*ANZSIC code*	*Division, subdivision or industry group*
A011	Horticulture and fruit growing	C282	Other transport equipment
A012	Grain, sheep and beef cattle farming	C283 – C286	Other machinery & equipment
A013	Dairy cattle farming	C29	Other manufacturing
A014	Poultry farming	D	Electricity, gas & water supply
A015	Other livestock farming	E	Construction
A016	Other crop farming	F	Wholesale trade
A02	Services to agriculture (including hunting and trapping)	G	Retail trade
A030	Forestry and logging	H	Accommodation, cafes & restaurants
A04	Commercial fishing	I	Transport & storage
B	Mining	J	Communication services
C21	Food, beverages & tobacco	K	Finance & insurance
C22	Textile, clothing, footwear & leather	L	Property & business services
C23	Wood & paper products	M	Government administration & defence
C24	Printing, publishing & recorded media	N	Education
C25	Petroleum, coal, chemical & associated products	O	Health & community services
C26	Non-metallic mineral products	P	Cultural & recreational services
C27	Metal products	Q	Personal & other services
C281	Motor vehicles & parts	Non-ANZSIC	Unallocated primary production
			Unallocated manufacturing
			Unallocated services
			Unallocated other

Source: ABS (1993).

2 Allocation methodology

2.1 The initial benefiting industry concept

The Commission applies an initial benefiting industry (IBI) methodology to help guide the process of allocation. Under this approach, the budgetary assistance provided by a program is allocated to the industry grouping hosting the firm that initially benefits from the assistance. In cases where budgetary assistance benefits firms indirectly via an intermediate organisation, such as funding for CSIRO, the beneficiaries are identified as the firms that utilise these services; not the organisations that deliver the budgetary assistance.

The IBI approach does not attempt to identify all of the beneficiaries of the various forms of budgetary assistance. It may be that industry groupings not identified as initial beneficiaries benefit subsequently from assistance targeted to another grouping. For example, budgetary assistance to the wool industry is allocated to *Grain, sheep and beef cattle* farming. However, this assistance could indirectly benefit other industry groupings, say to *Services to agriculture* in the case where wool producers use sheering services. Further, an increase in demand for sheering services may increase demand in the manufacturing sector for *Machinery and equipment* (for example, hand pieces) associated with the sheering industry.

To identify all of the beneficiaries of budgetary assistance would require working through the production chain to find how industry groupings are likely to be affected by the initial assistance. The Commission uses general equilibrium models to do this in certain instances, such as when conducting inquiries into specific industries.

However, for the purposes of annual reporting, identifying the incidence of assistance by the initial benefiting industry or industries provides a reasonable indication of the how the incentive structure to industry is affected by budgetary assistance.

2.2 Allocating assistance to industry groupings

Information to allocate funding for all measures was sought from budget papers, legislation, ministerial statements and various departmental annual reports and websites. The Commission also consulted organisations responsible for particular budgetary assistance measures.

In some instances, notably in relation to rural R&D corporations, programs are funded by a mix of industry levies and Government contributions. Where this occurs, the Commission includes only the Government's contribution as assistance, because the levy is considered to be a method of collecting funding from industry participants (to be redistributed to the industry in the form of services such as R&D or marketing).

Many measures are targeted at a particular industry, so allocating the assistance is straightforward. For example, funding for the Automotive Competitiveness and Investment Scheme is allocated to the *Motor vehicles and parts* industry grouping, and funding for the Egg Corporation is allocated to the *Poultry farming* industry grouping.

Allocating funding for non-targeted measures, where there is more than one IBI, is often not as straightforward. The Commission uses a variety of methods to do this:

- Where the Commission could obtain sufficiently detailed data for a program, it has used this information to distribute the program's funding among the benefiting industries. For example, the ATO supplies the Commission with claims data for the Premium R&D tax concession which is sufficiently detailed to determine the extent to which each industry grouping benefits from the program.
- For programs that provide grants to industry and where the Commission has details on the individual grants, this information is used to assign each grant to a particular industry. For example, Department of Agriculture, Fisheries and Forestry publishes project details for grant recipients under the Farm Innovation Program. These details are used by the Commission to determine the industry grouping which benefits from the program.
- Finally, in some cases, particularly where a new measure has been introduced, there is insufficient information to make an allocation. Funding for these measures has been assigned to an 'unallocated' category.

3 Selected program-by-program allocations[4]

3.1 CSIRO Research

A primary function of the Commonwealth Scientific and Industrial Research Organisation (CSIRO) is to undertake scientific research to assist Australian industry (CSIRO 2005), sometimes in collaboration with industry partners. The Commission allocates its research funding among the industries involved.

A methodology for allocating CSIRO assistance to industry groupings was first set out in the *Methodological Annex* to *Trade & Assistance Review 1999-2000* (PC 2000). Refinements to the allocation to primary production were discussed in *Methodological Annex B* to the *Trade & Assistance Review 2001-02* (PC 2002b).[5]

In 2003-04, the planning framework used for CSIRO research was changed from 23 ‘sectors’ to 28 CSIRO ‘divisions’. While there are a number of similarities between the old sector classification and the new division classification, the differences were sufficient to require the Commission to derive a new concordance between CSIRO division and the Commission’s ANZSIC–based industry classification (table 3.1a).

Of the 28 CSIRO divisions, funding to 10 is treated as falling outside the Commission’s definition of assistance (for example, CSIRO Publishing). These 10 divisions represent around 24 per cent of the annual CSIRO appropriation. For comparison, under the previous allocation methodology (by CSIRO sector), around 21 per cent of CSIRO funding was not included as assistance.

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4 As noted earlier, this chapter describes the methodology used to allocate, to the Commission’s ANZSIC-based industry groupings, the assistance provided by budgetary measures included in the *Trade & Assistance Review 2004-05* for which the allocation methodology has been revised in recent years and/or that have been added to the Commission’s estimates since the earlier Methodological Annexes (PC 2000, 2002) were published.

5 Briefly, the Commission obtained data from the CSIRO detailing the Australian Government appropriation (‘funding’) by CSIRO sector. A concordance was then created between these 23 CSIRO-defined sectors and the Commission’s ANZSIC–based industry classification. (This concordance was detailed in *Methodological Annex B* to the *Trade & Assistance Review 2001-02* (PC 2002b).)

Table 3.1a **Concordance between CSIRO divisions and industry groupings**

CSIRO division	*Industry grouping*	*CSIRO division*	*Industry grouping*
Forestry and Forest Products	Forestry and logging	Molecular and Health Technologies	Petroleum, coal, chemical, and associated products
Entomology (insects)	Not allocated	Energy Technology	Mining
Food Science Australia	Food beverages and tobacco	Land and Water	Not allocated
Livestock – Australian Animal Health Laboratory (AAHL)	Grain, sheep and beef cattle farming; Dairy cattle farming; Poultry farming; and Other livestock farming	Marine Research	Commercial fishing
Livestock – excl. AAHL	Grain, sheep and beef cattle farming; Dairy cattle farming; Poultry farming; and Other livestock farming	Atmospheric Research	Not allocated
Plant Industry	Horticulture and fruit growing; Grain, sheep and beef cattle farming; and Other crop growing	Petroleum Resources	Mining
Textile and Fibre Technology	Textile, clothing and footwear	Sustainable Ecosystems	Not allocated
Australia Telescope National Facility	Not allocated	Murray-Darling	Not allocated
Exploration and Mining	Mining	Oceanographic Research Vessel	Not allocated
Information and Communication Technology	Communications services	Capital Program	Construction
Industrial Physics	Other manufacturing	Discovery Centre	Not allocated
Manufacturing and Infrastructure Technology	Other manufacturing	High Performance Super Computer	Communications services
Mathematics and Information Sciences	Communications services	Publishing	Not allocated
Minerals	Mining	Education Programs	Not allocated

Of the other 18 divisions, 15 have been allocated to a single industry grouping. For example, funding for the Forestry and Forest Products Division is allocated completely to the *Forestry and logging* industry grouping; and funding for the Capital Program Division has been allocated solely to the *Construction* industry grouping.

Funding for the remaining three CSIRO divisions has been allocated to more than one ANZSIC industry. The two Livestock divisions are judged to assist four industry groupings: *Grain, sheep and beef cattle farming*; *Dairy cattle farming*;

Poultry farming; and *Other livestock farming* industries. Similarly, the Plant Industry Division is judged to assist three industry groupings: *Horticulture; Grain, sheep and beef cattle farming*; and the *Other crop growing* industries. In each case, the Commission has used value of production data to allocate the funding for each division to the individual industry groupings.

The resultant allocation of the CSIRO appropriation to the Commission's ANZSIC–based industry classification is presented in table 3.1b.

Table 3.1b **Allocation of CSIRO budget appropriation**

$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Horticulture and fruit growing	10.0	13.3	20.6
Grain, sheep and beef cattle farming	42.4	61.3	70.6
Dairy cattle farming	9.9	12.7	11.8
Poultry farming	-	1.0	6.5
Other livestock farming	4.1	3.1	3.6
Other crop growing	9.5	8.5	12.6
Forestry and logging	12.4	19.5	23.7
Commercial fishing	28.7	29.0	39.0
Mining	52.9	72.7	102.7
Food, beverages and tobacco	20.7	38.0	35.4
Textile, clothing, footwear and leather	31.5	12.7	17.9
Wood and paper products	5.7	-	-
Petroleum, coal, chemical and associated products	41.9	22.3	44.2
Metal products	29.0	-	-
Other machinery and equipment	36.1	-	-
Other manufacturing	-	55.4	89.1
Construction	22.7	12.8	14.9
Communication services	21.5	57.2	62.2
Unallocated services	10.1	-	-
Total	**389.1**	**419.6**	**554.7**

Data source: Unpublished CSIRO expenditure data.

3.2 Cooperative Research Centres

The Cooperative Research Centres (CRC) Programme was established by the Australian Government to improve the effectiveness of Australia's R&D effort. Among other things, the program seeks to enhance the interaction between researchers and industry to focus R&D efforts on progress towards utilisation and commercialisation (DEST 2005d).

The CRC Secretariat reports summary information by six industry sectors. These are manufacturing technology, information technology, mining & energy, agriculture, environment, and medical science & technology. The Secretariat also reports grants data by individual CRCs.

The Commission has not developed a general concordance between these sectors and its industry grouping system. Rather, as each CRC is unique, the funding for each has been allocated individually to relevant industry groupings. For example, within the environment sector, individual CRCs have been allocated to both *Agriculture, forestry, fishing & hunting*, *Electricity*, *Gas and water supply*, and *Cultural and recreational services* industry groupings. Further, most CRCs in this sector were not allocated, as their activities were not classified as assistance (see below).

In many cases, because of the industry focus of the CRC, an initial benefiting industry is identified. For example, Australian Government funding for the Welded Structures CRC has been allocated to the *Metal product manufacturing* industry grouping.

In some cases, however, as with the CSIRO, the program's research effort does not appear to benefit a particular industry or industries selectively. For example, the Antarctic Climate and Ecosystems CRC has not been classified as budgetary assistance.

A concordance between current CRC programs and the Commission's ANZSIC-based industry groupings is presented in table 3.2a.

The allocation of total CRC funding to the Commission's ANZSIC-based industry groupings is shown in table 3.2b.

Table 3.2a **Concordance between CRC Program and industry groupings**

CRC Program	*Industry grouping*	*CRC Program*	*Industry grouping*
Advanced Composite Structures	Other transport equipment	Innovative Dairy Products	Food, beverages and tobacco
Welded Structures	Metal products	Sustainable Aquaculture of Finfish	Commercial fishing
Polymers	Petroleum, coal, chemical, and associated products	Australian Biosecurity CRC for Emerging Infectious Disease	Not allocated
Bioproducts	Unallocated manufacturing	Sugar Industry Innovation through Biotechnology	Other crop growing
Intelligent Manufacturing Systems & Technologies	Other machinery and equipment	Australian Poultry Industries	Poultry farming
CAST Metals Manufacturing	Metal products	Innovative Grain Food Products	Unallocated primary production
Micro Technology	Other machinery and equipment	Beef Genetic Technologies	Grain, sheep and beef cattle farming
Construction Innovation	Construction	Internationally Competitive Pork Industry	Other livestock farming
Functional Communication Surfaces	Wood and paper products	National Plant Biosecurity	Unallocated primary production
Wood Innovations	Wood and paper products	Cotton Catchment Communities	Other crop growing
Railway Engineering and Technologies	Other transport equipment	Sustainable Forest Landscapes	Forestry and logging
Advanced Automotive Technology	Motor vehicles and parts	Environmental Biotechnology	Not allocated
Polymers	Petroleum, coal, chemical, and associated products	Antarctic Climate and Ecosystems	Not allocated
Cast	Metal products	Catchment Hydrology	Not allocated
Enterprise Distributed Systems Technology	Property and business services	Biological Control of Pest Populations	Not allocated
Australian Photonics	Other machinery and equipment	Great Barrier Reef World Heritage Area	Not allocated
Sensor Signal & Information Processing	Other machinery and equipment	Freshwater Ecology	Not allocated
Australian Telecommunications	Communication services	Tropical Rainforest Ecology and Management	Not allocated
Satellite Systems	Other machinery and equipment	Tropical Savannas Management	Not allocated
Smart Internet Technology	Communication services	Water Quality and Treatment	Electricity, gas and water supply
Technology Enabled Capital Markets	Property and business services	Australian Weed Management	Unallocated primary production
Spatial Information	Property and business services	Sustainable Tourism	Unallocated services
Interaction Design	Property and business services	Coastal Zone, Estuary & Waterway Management	Not allocated

Table 3.2a **(continued)**

CRC Program	*Industry grouping*	*CRC Program*	*Industry grouping*
Integrated Engineering Asset Management	Property and business services	Greenhouse Accounting	Not allocated
`	Mining	Plant Based Management of Dry land Salinity	Unallocated primary production
Greenhouse Gas Technologies	Petroleum, coal, chemical, and associated products	Bushfire	Not allocated
Hydrometallurgy	Metal products	Irrigation Futures	Unallocated primary production
Clean Power from Lignite	Electricity gas and water supply	Desert Knowledge	Not allocated
Landscape Environments & Mineral Exploration	Mining	Contamination Assessment and Remediation of the Environment	Not allocated
Coal in Sustainable Development	Electricity gas and water supply	eWater	Not allocated
Renewable Energy	Electricity gas and water supply	Australasian Invasive Animal	Not allocated
Predictive Mineral Discovery	Mining	Cellular Growth Factors	Petroleum, coal, chemical, and associated products
Sustainable Resource Processing	Unallocated manufacturing	Vision	Health and community services
Integrated Hydrometallurgy Solutions	Metal products	Cochlear Implant & Hearing Aid Innovation	Other machinery and equipment
Sustainable Production Forestry	Forestry and logging	Vaccine Technology	Petroleum, coal, chemical, and associated products
Tropical Plant Protection	Unallocated primary production	Diagnostics	Health and community services
Viticulture	Horticulture and fruit growing	Aboriginal Health	Not allocated
Cattle and Beef Quality	Grain, sheep and beef cattle farming	Discovery of Genes for Common Human Diseases	Petroleum, coal, chemical, and associated products
Australian Cotton	Other crop growing	Asthma	Not allocated
Value Added Wheat	Grain, sheep and beef cattle farming	Chronic Inflammatory Diseases	Health and community services
Molecular Plant Breeding	Unallocated primary production	Oral Health Science	Health and community services
Sustainable Rice Production	Other crop growing	Asthma and Airways	Health and community services
Australian Sheep Industry	Grain, sheep and beef cattle farming	Biomedical Imaging Development	Other machinery and equipment

Table 3.2b **Allocation of CRC funding**

$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Horticulture and fruit growing	2.0	4.1	3.7
Grain, sheep and beef cattle farming	8.2	8.6	8.6
Poultry farming	-	3.1	3.4
Other crop growing	6.1	8.0	6.5
Forestry and logging	2.4	2.5	0.4
Commercial fishing	2.6	2.6	2.6
Unallocated primary production	11.0	18.6	20.4
Mining	8.4	9.8	10.3
Food, beverages and tobacco	2.6	2.6	2.6
Wood and paper products	5.4	6.1	5.4
Petroleum, coal, chemical and associated products	11.2	11.5	7.2
Metal products	8.3	8.0	7.1
Other transport equipment	5.1	4.9	4.6
Other machinery and equipment	15.3	14.0	11.6
Unallocated manufacturing	2.2	3.7	4.5
Electricity, gas and water supply	8.6	7.0	6.7
Construction	2.0	2.5	2.5
Communication services	5.8	5.8	5.7
Property and business services	5.6	10.9	13.3
Health and community services	7.2	13.6	15.1
Unallocated services	2.4	4.1	4.7
Total	**122.3**	**151.9**	**146.8**

Data source: Unpublished data provided by the CRC Secretariat.

3.3 Major National Research Facilities

The Major National Research Facilities (MNRF) program, in partnership with other organisations (such as universities and state governments), provides funding for major new research facilities. The program aims to:

- improve Australia’s capability in science, engineering and technology;
- maintain and enhance Australia’s international scientific and industrial competitiveness; and
- support the rapid commercialisation of research results (DEST 2005a).

The program was expanded in 2001 to fund a number of new facilities The Commission has examined the list of facilities and allocated expenditure to industry accordingly (table 3.3). Some facilities were not considered to provide industry assistance — for example, the Gemini telescopes. Other facilities were difficult to confidently allocate and were classified to the *Unallocated other* grouping. The Commission does not have information on the annual expenditure profile for each facility, only on the aggregate announced funding for each facility. Therefore, it has used the proportions of total approved funding to allocate annual expenditure (taken from budget papers and annual reports).

Table 3.3 **Allocation of the Major National Research Facilities program**
$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Horticulture and fruit growing	0.7	1.1	1.3
Unallocated primary production	0.7	1.1	1.3
Mining	0.8	1.2	1.3
Other transport equipment	0.7	1.1	1.3
Other machinery and equipment	2.4	3.6	4.0
Unallocated other	7.1	10.9	11.9
Total	**12.4**	**19.2**	**21.0**

Data source: Nelson (2005).

3.4 ICT Centre of Excellence

In 2002, the Australian Government selected National ICT Australia (NICTA) to establish and operate a 'world-scale' ICT research and research training institute. NICTA conducts research, provides research training, commercialises research and collaborates with private sector research organisations, major companies, small to medium size enterprises (SMEs) and public sector agencies. NICTA was initially funded with $129.5 million over five years (from 2001-2006) under the Australian Government' innovation action plan (*Backing Australia' Ability*). In 2004, a further funding commitment of $251 million over five years (from 2006-2011) was provided through the Australian Government's companion science and innovation plan (*Backing Australia's Ability - Building Our Future Through Science and Innovation*).

NICTA funding is jointly administered by the Department of Communications, Information Technology and the Arts (DCITA) and the Australian Research Council. The ICT Centre of Excellence selectively assists the *Communications services* industry grouping (table 3.4).

Table 3.4 **Allocation of ICT Centre of Excellence funding**
$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Communication services	10.3	11.3	17.2

Data source: DCITA (2005).

3.5 National Stem Cell Centre

On 30 May 2002, the Prime Minister announced the Centre for Stem Cell and Tissue Repair as the successful operator of the Biotechnology Centre of Excellence. The Centre, which has been renamed the Australian Stem Cell Centre, supports stem cell research and related product development through the establishment of:

> … a critical mass of leading national and international researchers and forging new partnerships with institutions and companies. The Centre also builds on Australia's research excellence in stem cell technology to increase our international competitiveness at a time when other countries are also investing in this technology (DEST 2005b).

The government provided $43.55 million over 4 years, jointly through the Department of Industry, Tourism and Resources and the Australian Research Council. Biotechnology falls within *Petroleum, coal, chemicals and associated products* industry grouping (table 3.5).

Table 3.5 **Allocation of Australian Stem Cell Centre funding**
$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Petroleum, coal, chemical and associated products	3.6	4.6	5.8

Data source: DITR (2005e).

3.6 Premium R&D tax concession

The premium R&D tax concession was announced as part of the Government's 2001 Statement, Backing Australia's Ability. A 175 per cent tax concession is available for certain labour related components of 'incremental'[6] research and development expenditure (excluding such expenditures as plant, core technology, interest and items excluded from the 125 per cent R&D tax concession).

Previously, the Commission had allocated revenue forgone under the premium R&D tax concession to the *Unallocated other* grouping. However, for 2003-04, the ATO provided disaggregated data for the program by ANZSIC industry. The Commission has used this information to allocate the Treasury's estimate of total revenue forgone under the program (table 3.6).

[6] Incremental means a firm's R&D expenditures over and above its average expenditures for the previous three years.

Table 3.6 **Allocation of the Premium R&D tax concession**

$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Horticulture and fruit growing	0.1	0.2	0.2
Grain, sheep and beef cattle farming	0.2	0.3	0.3
Other crop growing	0.1	0.1	0.1
Services to agriculture (incl. hunting and trapping)	0.1	0.2	0.2
Forestry and logging	<0.1	<0.1	<0.1
Commercial fishing	0.2	0.3	0.3
Mining	9.1	14.9	14.1
Food, beverages and tobacco	2.0	3.3	3.1
Textile, clothing, footwear and leather	<0.1	0.1	0.1
Wood and paper products	1.2	1.9	1.8
Printing, publishing and recorded media	0.8	1.3	1.2
Petroleum, coal, chemical and associated products	2.5	4.1	3.9
Non-metallic mineral products	1.0	1.6	1.5
Metal products	2.3	3.8	3.6
Motor vehicles and parts	4.2	6.9	6.5
Other transport equipment	1.3	2.1	2.0
Other machinery and equipment	4.7	7.8	7.3
Other manufacturing	0.9	1.4	1.3
Electricity, gas and water supply	0.1	0.2	0.2
Construction	1.1	1.8	1.7
Wholesale trade	3.8	6.3	5.9
Retail trade	0.8	1.3	1.2
Transport and storage	0.3	0.6	0.5
Communication services	2.5	4.1	3.9
Finance and insurance	5.8	9.5	9.0
Property and business services	9.1	14.9	14.1
Education	0.3	0.5	0.5
Health and community services	0.1	0.2	0.2
Cultural and recreational services	0.1	0.1	0.1
Personal and other services	0.1	0.2	0.2
Total	**55.0**	**90.0**	**85.0**

Data sources: The Treasury (2005); Unpublished ATO claim data.

3.7 R&D tax offset for small companies

The R&D tax offset is available to eligible Australian companies with an annual group turnover of less than $5 million and R&D group expenditure of up to $1 million. Smaller companies in tax loss (that cannot utilise the R&D tax concession) and that would otherwise carry forward R&D-related tax losses can realise these losses as a cash equivalent payment, when their tax return for the relevant year is processed. The payment is at the rate of 125 per cent of expenditure (or 175 per cent, as under the Premium R&D tax concession, if certain conditions are met).

The ATO has provided a breakdown of payments by ANZSIC industry for the 2003-04 income year. This industry distribution has been used by the Commission to allocate total payments for 2002-03, 2003-04 and 2004-05 (table 3.7).[7]

Table 3.7 **Allocation of the R&D tax offset for small companies**

$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Horticulture and fruit growing	1.4	2.0	2.4
Services to agriculture (incl. hunting and trapping)	1.0	1.4	1.7
Commercial fishing	1.9	2.7	3.3
Mining	0.7	1.0	1.3
Food, beverages and tobacco	0.8	1.1	1.3
Textile, clothing, footwear and leather	0.4	0.5	0.7
Wood and paper products	0.4	0.6	0.7
Printing, publishing and recorded media	6.7	9.5	11.9
Petroleum, coal, chemical and associated products	5.3	7.6	9.4
Non-metallic mineral products	0.6	0.8	1.0
Metal products	1.6	2.2	2.8
Motor vehicles and parts	1.3	1.9	2.3
Other transport equipment	0.7	1.1	1.3
Other machinery and equipment	16.6	23.7	29.4
Other manufacturing	5.3	7.5	9.3
Electricity, gas and water supply	0.9	1.3	1.7
Construction	2.2	3.2	4.0
Wholesale trade	5.1	7.2	9.0
Retail trade	3.1	4.4	5.5
Transport and storage	0.4	0.6	0.7
Communication services	2.5	3.5	4.4
Finance and insurance	2.3	3.3	4.1
Property and business services	55.7	79.2	98.4
Education	1.1	1.5	1.9
Health and community services	1.7	2.4	3.0
Cultural and recreational services	1.0	1.5	1.9
Personal and other services	0.9	1.3	1.6
Total	**121.7**	**173.0**	**215.0**

Data sources: IRDB (2003, 2004, 2005); Unpublished ATO claim data.

[7] The total payments for each of the three years is sourced from the IR&D Board annual reports.

3.8 R&D tax offset payments (exemption)

The payments made under the R&D tax offset for small companies are exempt from tax. While the exemption represents additional assistance, a negative estimate was recorded for 2004-05 (by the Treasury; see TES 2005). This reflects the fact that companies that claim the refundable R&D tax offset are unable to claim deductions for the R&D expenditures concerned (like claimants under the R&D tax concession and Premium R&D tax concessions) because the tax offset already provides a benefit equivalent to the value of these deductions. According to the Treasury (2005, p.81), 'the absence of these deductions constitutes a negative tax expenditure'.

The Commission does not have information on the industry incidence of this tax exemption and has allocated it to the *Unallocated other* grouping (table 3.8).

Table 3.8 **Allocation of the R&D tax offset payments (exemption)**
$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Unallocated other	60.0	30.0	-10.0

Data source: Treasury (2005).

3.9 Commercial Ready Program

The Commercial Ready Program (CRP) was announced in May 2004 as part of the 'Backing Australia's Ability' programme (Howard 2004a). The CRP provides merit-based competitive grants to small and medium sized enterprises for early-stage commercialisation, research and development with a high commercial potential, and proof of concept activities. The program combines and replaces previous firm-specific support for R&D, early-stage commercialisation and aspects of technology adaptation, delivered under the R&D Start Program (Grants), the Biotechnology Innovation Fund and elements of the Innovation Access Program. Total funding of more than $1.6 billion through to 2010-11 is expected under the CRP.

For 2004-05, DITR provided the Commission with the split of CRP funding across ANZSIC industries, which the Commission then aligned to its ANZSIC-based industry groupings (table 3.9).

Table 3.9 **Allocation of Commercial Ready Program funding**
$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Grain, sheep and beef cattle farming	-	-	0.2
Services to agriculture (incl. hunting and trapping)	-	-	0.1
Commercial fishing	-	-	0.1
Mining	-	-	0.1
Food, beverages and tobacco	-	-	0.1
Wood and paper products	-	-	0.2
Petroleum, coal, chemical and associated products	-	-	0.1
Metal products	-	-	0.1
Other machinery and equipment	-	-	0.4
Property and business services	-	-	0.3
Health and community services	-	-	<0.1
Unallocated other	-	-	0.8
Total	**-**	**-**	**2.5**

Data source: Unpublished data provided by DITR.

3.10 Innovation Access Program

The Innovation Access Program (IAP) was announced in January 2001 as part of the Australian Government's innovation statement — *Backing Australia's Ability, An Innovation Action Plan for the Future* (Howard 2001). The primary aim of the IAP was to increase access of Australian researchers and firms to overseas research and technology. Total funding under the program was $100 million over five years, with a subsidy rate of up to 50 per cent of the costs of eligible projects. Support under the program covered research projects involving collaboration with overseas researchers, and funding to Australian firms to bring overseas specialists to Australia or to go overseas on research 'missions'. Demonstrations of Australian science and technologies overseas were also eligible.

In 2004-05, the industry grants component of the IAP was transferred to the Commercial Ready program. The innovation component remains in the IAP. For the 2004-05 estimates, however, DITR provided the Commission with an estimate of total IAP funding. As DITR does not provide an industry breakdown of this funding, expenditure under the program is classed as *Unallocated other* (table 3.10).

Table 3.10 **Allocation of the Innovation Access Program**
$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Unallocated other	10.7	11.0	5.8

Data source: Unpublished data provided by DITR.

3.11 Venture capital limited partnerships

Venture Capital Limited Partnerships (VCLP) raise capital and make investments in relatively high-risk ‘start-up’ and expanding Australian companies. The aim of the VCLP is to increase investment in the Australian venture capital industry by tax exempt non-residents from Canada, France, Germany, Japan, the UK and the USA (DITR 2006b). The incentive to invest is provided via capital gains tax exemption. Eligible investments are shares or options in unlisted (or soon to be delisted) Australian companies with a total value of assets of less than $250 million, except for those for which the predominant activity is in property development, finance, insurance, construction and infrastructure. There is also a requirement that at least 50 per cent of employees and assets of the company are in Australia.

For *Trade & Assistance Review 2004-05*, the Commission has included the funding as assistance to the *Finance and insurance* industry grouping (table 3.11).

Table 3.11 **Allocation of the Venture Capital Limited Partnerships program**
$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Finance and insurance	-	20.0	25.0

Data source: The Treasury (2005).

3.12 Pre-seed Fund

The Pre-seed Fund was announced in 2001 as part of the Australian Government’s *Backing Australia’s Ability* statement. The Pre-seed Fund program makes available venture capital finance for university and public sector research companies that are seeking to commercialise their technologies. Funding for the scheme is used to establish ‘fund companies’, which invest in the commercialisation of public sector research. The maximum investment in any one project is limited to $1 million. The Industry R&D Board undertakes the selection of fund companies under ministerial guidelines and a competitive tender process (DEST 2005c).

Each year, DITR provides data on expenditure for the Pre-seed Fund by ANZSIC industry (table 3.12).

Table 3.12 **Allocation of the Pre-seed Fund**

$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Horticulture and fruit growing	3.4	0.7	0.3
Petroleum, coal, chemical and associated products	-	-	0.5
Motor vehicles and parts	0.8	-	-
Other manufacturing	-	1.0	-
Communication services	-	2.2	1.8
Finance and insurance	-	-	2.3
Property and business services	-	-	0.7
Health and community services	-	2.5	0.5
Unallocated other	-	-	0.1
Total	**4.2**	**6.4**	**6.3**

Data sources: DITR (2005e); Unpublished data provided by DITR.

3.13 Pooled Development Funds

Pooled Development Funds (PDF) allow certain registered investors and businesses to obtain tax concessions for making capital investments in small to medium enterprises (SME). In general, SMEs present higher risks and the government aims to promote investment in these companies through the PDF program. Tax concessions available to PDFs and PDF shareholders include:

- taxation on income and gains at the rate of 15 per cent rather than the corporate tax rate of 30 per cent; and
- other income taxed at the rate of 25 per cent (DITR 2005c).

The Commission obtains estimates of the revenue forgone under the PDF scheme from the Treasury's Tax Expenditure Statement.

For *Trade & Assistance Review 2004-05*, assistance under the scheme has been allocated to the *Finance and insurance* industry grouping (table 3.13).

Table 3.13 **Allocation of the Pooled Development Fund**

$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Finance and insurance	6.0	6.0	7.0

Data source: The Treasury (2005).

3.14 Techfast

The Techfast program provided $2.5 million in 2004-05 to the Australian Institute of Commercialisation (AIC) to identify intellectual property in public sector organisations that is of use to SMEs, and assist with its translation into improved innovation products (DITR 2005e).

The AIC operates in the *Property and business services* industry grouping (table 3.14).

Table 3.14 **Allocation of the Techfast program**
$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Property and business services	-	-	2.5

Data source: DITR (2005e).

3.15 Industry Capability Network Limited and Supplier Access to Major Projects

The Supplier Access to Major Projects (SAMP) program provides funds for specialist consultants to work with project developers to identify supply opportunities for eligible Australian companies. SAMP funding is provided for major projects of national or regional significance. The Industry Capability Network Limited administers the program on behalf of the Australian Government (DITR 2006a).

In 2004-05, nine Australian businesses benefited from the program (DITR 2005e). The Commission does not have information on the individual suppliers and has therefore allocated the expenditure to the *Unallocated other* grouping (table 3.15).

Table 3.15 **Allocation of Industry Capability Network Limited**
$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Unallocated other	-	1.5	1.8

Data source: DITR (2005e).

3.16 Biotechnology Innovation Fund

The Biotechnology Innovation Fund (BIF) was announced as part of the *National Biotechnology Strategy* in 2001. It was a merit-based competitive grants program which aimed to increase the rate of commercialisation of promising biotechnology developed in Australia. It provided financial assistance (to a limit of $250 000 or 50 per cent of the project cost) to companies to demonstrate proof-of-concept between the initial research stage of a biotechnology project and the early stage of its commercialisation.

The sixth and final round of the BIF closed on 15 July 2004, although the IR&D Board continues to monitor and administer ongoing projects under the scheme. Over all rounds, there were 201 grant offers totalling $47.7 million. The objective of the BIF has continued to be pursued via the Commercial Ready program (see section 3.9), which commenced in October 2004.

DITR provides the Commission annually with a split of BIF funding across ANZSIC industries, which the Commission aligns to its ANZSIC-based industry groupings (table 3.16).

Table 3.16 **Allocation of the Biotechnology Innovation Fund**

$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Horticulture and fruit growing	-	0.1	0.1
Grain, sheep and beef cattle farming	0.1	0.1	<0.1
Other crop growing	<0.1	0.2	0.2
Services to agriculture (incl. hunting and trapping)	1.2	0.9	0.5
Unallocated primary production	-	0.2	-
Mining	0.1	<0.1	0.1
Food, beverages and tobacco	-	0.1	<0.1
Petroleum, coal, chemical and associated products	1.3	1.5	0.6
Other machinery and equipment	0.7	0.7	1.1
Other manufacturing	1.6	1.7	-
Finance and insurance	-	0.2	<0.1
Property and business services	3.7	4.7	3.6
Health and community services	3.2	3.1	2.8
Unallocated other	-	-	1.2
Total	**11.8**	**13.4**	**10.4**

Data source: Unpublished data provided by DITR.

3.17 Austrade export assistance

Austrade is the Australian Government's primary export facilitation agency. Austrade's budget appropriation primarily supports the operation of its international trade commission network. Austrade provides a range of export market intelligence and promotional services to potential and existing exporters, both to individual companies as well as more general export assistance such as information, exporter education, trade displays and sponsorships of the Australian Export Awards.

In recent years, Austrade has been unable to provide the Commission with a breakdown of its export assistance expenditure by industry. Consequently, the Commission allocates the funding to the *Unallocated other* grouping (table 3.17).

Table 3.17 **Allocation of Austrade appropriation**
$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Unallocated other	163.8	158.5	155.1

Data source: Austrade (2005).

3.18 Australian Made Campaign (export marketing strategy)

In September 2004, the Australian Government announced a $2 million grant, over three years, to help strengthen the profile and marketing effectiveness of the Australian Made Campaign 'logo' for small to medium sized Australian companies in export markets.[8] The grant will be used to fund research and benchmarking projects, an international project to test the effectiveness of the logo in international markets, and an awareness-raising campaign within the industry on how to best use the logo as a marketing tool (MacFarlane 2004b).

The Commission has been unable to identify the beneficiaries of the assistance with precision and has thus allocated the funding to the *Unallocated other* grouping (table 3. 18).

[8] The Australian Made logo is a certification trademark, owned by the Australian Government and assigned to Australian Made Campaign Limited (AMCL) in 1999. AMCL is a not-for-profit organisation that licences the use of the logo to eligible Australian businesses. AMCL is funded solely from licence fees paid by businesses using the logo.

Table 3.18 **Allocation of the Australian Made Campaign**
$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Unallocated other	-	-	0.9

Data source: DITR (2005e).

3.19 Small business capital gains tax rollover relief

Owners of businesses with assets of less than $5 million are eligible for capital gains tax (CGT) relief (deferral) upon the sale of the business if the income from the sale of 'active assets' is used to purchase other active small business assets. The tax liability will accrue if the replacement asset is sold or its use changes.

For 2003-04, the ATO provided disaggregated data by ANZSIC industry. Similar data for 2002-03 and 2004-05, however, were unavailable. Consequently, for those years, the Commission has used the 2003-04 proportions to allocate Treasury's total estimate of revenue forgone under the program for those years (table 3.19).

Table 3.19 **Allocation of small business capital gains tax rollover relief**
$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Grain, sheep and beef cattle farming	7.0	7.9	11.7
Construction	4.4	4.9	7.3
Wholesale trade	10.6	12.1	17.7
Retail trade	19.0	21.5	31.7
Accommodation, cafes and restaurants	3.5	4.0	5.8
Transport and storage	0.6	0.7	1.0
Communication services	6.1	7.0	10.2
Finance and insurance	14.7	16.6	24.5
Education	5.9	6.7	9.9
Health and community services	1.1	1.2	1.8
Cultural and recreational services	2.0	2.3	3.4
Total	**75.0**	**85.0**	**125.0**

Data sources: The Treasury (2005); Unpublished ATO claim data.

3.20 Strategic Investment Coordination

The Strategic Investment Coordination (SIC) program is designed to attract direct investment to Australia by providing assistance to selected projects. Under the SIC program, the Office of the Strategic Investment Coordinator assesses applications for investment incentives on a case-by-case basis and advises the Cabinet on the merits of investment proposals. The Cabinet then makes a determination on the project, and the level and form of assistance to be provided.

Assistance for the successful projects has been detailed by the Commission in each *Trade & Assistance Review* since 1998-99. Those with funding recorded for the financial years covered by *Trade & Assistance Review 2004-05* are as follows:

- In December 1998, a $40 million package was announced for Visy Industries to establish a pulp and paper mill in Tumut, New South Wales;
- In November 2000, a $3.2 million grant was agreed for the establishment of the IBM e-Business Centre for Innovation in Sydney;
- In June 2001, a $100 million package was announced for the development of a commercial space launch facility on Christmas Island;
- In April 2001, a $12.5 million grant was announced for Holden to establish an engine plant in Victoria;
- In April 2002, a $125 million grant was announced for Rio Tinto to develop a Hismelt direct iron reduction plant;
- In October 2003, a $35 million grant, together with a $40 million interest-free loan, was announced for GTL Resources to develop a methanol plant in the Burrup Peninsula.

Table 3.20a shows the ANZSIC-based industry grouping which each SIC project belongs to and the amount of budgetary assistance provided in 2002-03 through to 2004-05 via the SIC budget appropriation. The amounts for each project are separately identified in the DITR annual reports.

Table 3.20a **Strategic Investment Coordination funding**
$ million

SIIP Project	*Industry grouping*	*2002-03*	*2003-04*	*2004-05*
Visy	Wood and paper products	2.9	2.9	-
Rio Tinto	Metal products	-	-	50.0
GTL Resources	Metal products	45.6	45.7	45.7
Holden	Motor vehicles and parts	4.0	-	-
IBM	Communication services	0.8	-	-
Total		**53.3**	**48.6**	**95.7**

Data source: DITR (2005e).

Table 3.20b shows the ANZSIC-based industry grouping for the combined SIC projects, together with budgetary assistance provided from 2002-03 to 2004-05.

Table 3.20b **Allocation of the SIC program funding**

$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Wood and paper products	2.9	2.9	-
Metal products	45.6	45.7	95.7
Motor vehicles and parts	4.0	-	-
Communication services	0.8	-	-
Total	**53.3**	**48.6**	**95.7**

Data source: DITR (2005e).

The total project incentive by the Australian Government is often in the form of a ‘package’ and the assistance comes in a variety of forms, including grants, interest free loans, infrastructure provision, and tariff, tax and excise concessions. As such, some of the assistance is recorded against programs other than SIC program — for example, $25 million of the incentive for Visy Industries comes from the Infrastructure Borrowing Tax Offsets Scheme, the Roads of National Importance program and the Regional Assistance Program.

3.21 Assistance to the Australian Magnesium Corporation

The history of assistance to the Australian Magnesium Corporation (AMC), by both the Australian and Queensland Governments, stretching back to 1990, is detailed in *Trade & Assistance Review 2002-03*. In regards to assistance by the Australian Government in the period covered by this methodology annex (2000-01 to 2004-05), AMC received around $85 million in 2003-04 from a $100 million government guaranteed loan and benefited from a $50 million grant to CSIRO in 2000-01 for research into magnesium smelting (repayable by AMC via higher-than-normal royalties).

Magnesium production falls within the *Metal products* industry grouping (table 3.21).

Table 3.21 **Allocation of assistance to the AMC**

$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Metal products	-	84.6	-

Data source: DITR (2005e).

3.22 Pharmaceuticals Partnership Program

The Pharmaceuticals Partnership Program (PPP) commenced in 2004, following the conclusion of the Pharmaceutical Industry Investment Program (PIIP). Initial funding of up to $150 million is available through to 2009. The PPP provides taxable payments to selected ‘innovator’, ‘generic’ and ‘biotechnology’ companies, equal to 30 per cent of the value added of additional, Australian-based research and development — that is, research and development over and above the firm’s previous three years’ research and development average. Any one firm cannot receive more than $10 million per year in payments under the scheme.

While the PPP emphasises partnerships between pharmaceutical companies and ‘outside’ researchers and service providers, the payments under PPP are made directly to selected pharmaceutical and biotechnology firms and have been allocated to the *Petroleum, coal, chemical and associated products* industry grouping (table 3.22).

Table 3.22 **Allocation of the Pharmaceuticals Partnership Program**
$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Petroleum, coal, chemical and associated products	-	-	4.2

Data source: DITR (2005e).

3.23 Biotechnology Australia

Biotechnology Australia is a collaboration of five Commonwealth Government Departments (Agriculture, Fisheries and Forestry; Industry, Tourism and Resources; Education, Science and Training; Health and Ageing; and Environment and Heritage), and was created to assist in coordinating the Government’s approach to biotechnology.

Biotechnology Australia’s aim is to increase the public’s general awareness of biotechnology and its uses, through the provision of information explaining the technology, its applications, and regulations to safeguard people and the environment. Its goal is to ensure Australia captures the benefits arising from the medical, agricultural and environmental application of biotechnology, while ensuring maximum safety for both people as well as the environment (BA 2005). Key activities of Biotechnology Australia include:

- a public awareness program, including rural forums on gene technology;
- biotechnology intellectual property management;

- administering the Biotechnology Centre of Excellence;
- implementing the National Biotechnology Strategy; and
- secretariat support for the Biotechnology Ministerial Council.

For *Trade & Assistance Review 2004-05*, the Commission has allocated the assistance to the *Petroleum, coal, chemical and associated products* industry grouping, under which biotechnology firms are classified (table 3.23).

Table 3.23 **Allocation of Biotechnology Australia funding**
$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Petroleum, coal, chemical and associated products	2.1	2.1	5.0

Data source: Australian Government Budget and Budget-related papers (various years).

3.24 Ethanol Production Grants concession

To encourage the use of ethanol in transport in Australia, since 2002 the Australian Government has provided a grant (subsidy) of 38.143 cents per litre to eligible ethanol producers.[9] Such grants are to be available until 30 June 2011. Ethanol production grants selectively assist firms in the *Petroleum, coal, chemical and associated products* industry grouping (table 3.24).

Table 3.24 **Allocation of Ethanol Production Grants concession**
$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Petroleum, coal, chemical and associated products	21.7	10.8	8.6

Data source: DITR (2005e).

9 To claim the grant, ethanol must be produced entirely in Australia by the grant recipient from biomass feedstock and must be blended into or used as a transport fuel in Australia. To enable payment of the production grant, the ethanol producer must first enter into a contract with the Australian Government.

3.25 Bio-fuels Capital Grants program

In July 2003, the Australian Government announced the Bio-fuels Capital Grants program. The program provides one-off capital grants for the development of new or expanded bio-fuels production capacity.[10] Grants are paid at a rate of 16 cents per litre. To be eligible, projects need to be capable of producing over 5 million litres of bio-fuel per annum. Under the scheme, any one project is limited to a maximum grant of $10 million (DITR 2005a).

This measure selectively targets bio-fuels production, which is part of the *Petroleum, coal, chemical and associated products* industry grouping (table 3.25).

Table 3.25 **Allocation of Bio-fuels Capital Grants program**
$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Petroleum, coal, chemical and associated products	-	-	2.1

Data source: DITR (2005e).

3.26 Greenhouse Gas Abatement Program

The Greenhouse Gas Abatement Program (GGAP) was announced in May 1999 as part of the Measures for a Better Environment package. The objective of GGAP is to reduce greenhouse gas emissions in Australia. It provides competitive grants to firms for large-scale abatement projects deemed to be cost-effective. Preference is given to projects with abatement of more than 250 000 tonnes of carbon dioxide equivalents per year (AGO 2005a).

At the conclusion of the second round of funding, 14 projects had been approved, with funding totalling around $130 million. The Commission has examined the list of successful projects and allocated them to a particular industry grouping (table 3.26a). This distribution forms the basis of allocating annual expenditure to the Commission's ANZSIC-based industry groupings.

As the Commission does not presently have information on the annual profile of payments for each project, it has been assumed that annual total expenditure under GGAP is divided across industries in the same proportion as the approved funding for the projects (table 3.26b).

[10] Bio-fuels are fuels made from renewable organic sources. Bio-fuels with commercial prospects in Australia include ethanol and bio-diesel.

Table 3.26a **GGAP projects: allocation to industry**

Project	*Industry grouping*	*Funding ($m)*
BHP – Abatement and Utilisation of Methane in Mine Ventilation	Mining	0.6
Envirogen – Waste Mine Gas Power Station at Bellambi Colliery	Electricity gas and water supply	9.0
Lignite Predrying using Mechanical Thermal Expression (MTE)	Petroleum, coal chemical and associated products	11.1
National Transport Secretariat – National Travel Behaviour Change Program	Not assistance	6.5
BCSE – Cogeneration Industry Support Program	Electricity, gas and water supply	10.0
Origin Energy – Construction and Operation of a Portfolio of Efficient Cogeneration Plants	Electricity, gas and water supply	16.0
BP – East Coast Renewables Project	Petroleum, coal chemical and associated products.	8.8
Douglas Shire/Mossman Central Mill – A Regional Partnership	Petroleum, coal chemical and associated products	7.4
RRA/NRAC – Refrigeration and Air-conditioning Greenhouse Gas Management Program	Retail trade	3.6
EDL – German Creek Waste Mine Gas Power Project	Electricity gas and water supply	15.5
Alcan Gove – Gas to Gove	Metal Product Manufacturing	7.0
Macquarie Generation – Low Pressure Turbine Replacement at Liddell Power Station	Electricity gas and water supply	5.0
Envirogen – Waste Coal Mine Gas to Electricity Using Gas Engines at Teralba (NSW) and North Goonyella (QLD)	Electricity gas and water supply	13.0
Queensland Alumina – Energy Efficient Calcination in Alumina Refining	Metal Product Manufacturing	11.0

Data source: AGO (2005a).

Table 3.26b **Allocation of the Greenhouse Gas Abatement Program**

$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Mining	0.2	0.7	0.6
Petroleum, coal, chemical and associated products	0.7	3.0	2.7
Metal products	0.5	2.0	1.8
Electricity, gas and water supply	1.8	7.5	6.7
Retail trade	0.1	0.4	0.3
Total	**3.3**	**13.6**	**12.1**

Data source: DEH (2005).

3.27 Renewable Energy Commercialisation Program

Under the Renewable Energy Commercialisation Program (RECP), which commenced in 1999, around 50 competitive grants over six rounds, of between $10 000 and $1 million, were made for projects with strong commercialisation potential, feasibility studies and prototype development, covering a range of renewable energy technology such as wind, water, solar and biomass (AGO 2005b). In addition, two rounds of grants were made under the industry development component of the program for activities such as resource assessment, developing accreditation and training systems and best practice guidelines.

The RECP assists renewable energy production, which is part of *Electricity, gas and water supply* industry grouping (table 3.27).

Table 3.27 **Allocation of the Renewable Energy Commercialisation Program**
$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Electricity, gas and water supply	9.2	9.2	1.7

Data source: DEH (2005).

3.28 Renewable Energy Equity Fund

The Australian Government introduced the Renewable Energy Equity Fund (REEF) as part of the 1997 *Safeguarding the Future: Australia's Response to Climate Change* package. The REEF facilitates equity investments for the commercialisation of renewable energy technology (DITR 2005d). Each year, DITR provides a breakdown of spending under REEF by ANZSIC industry (table 3.28).

Table 3.28 **Allocation of the Renewable Energy Equity Fund**
$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Petroleum, coal, chemical and associated products	-	-	0.8
Other machinery and equipment	-	-	0.3
Other manufacturing	-	0.1	-
Electricity, gas and water supply	2.6	1.0	0.5
Finance and insurance	-	-	0.4
Health and community services	0.4	-	-
Total	**3.0**	**1.1**	**2.0**

Data sources: DITR (2005e); Unpublished data provided by DITR.

3.29 Automotive Competitiveness and Investment Scheme

The Automotive Competitiveness and Investment Scheme (ACIS) commenced on 1 January 2001 and was initially scheduled to run for 5 years. The benefits under ACIS are in the form of import duty credits that can be used to offset customs duty payable on eligible imports. The credits can be sold or transferred.

On 13 December 2002, the Government announced a 10 year extension to the ACIS, comprising of two stages, worth $4.2 billion. ACIS stage 2 began on 1 January 2006, with slightly modified assistance arrangements. ACIS Stage 3 will commence on 1 January 2011 (concluding on 31 December 2015), and will involve further modifications and a progressive decline in assistance.

The ACIS selectively benefits the *Motor vehicles and parts* industry grouping (table 3.29).

Table 3.29 **Allocation of the ACIS**

$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Motor vehicles and parts	569.7	583.1	562.5

Data source: DITR (2005e).

3.30 TCF Corporate Wear Program

The TCF Corporate Wear Scheme allows individuals and firms to claim tax deductions for certain uniforms or corporate clothing (with company labelling attached to them). Firms that provide such clothing to employees (free of charge or at a reduced rate) are not liable to pay fringe benefits tax, while individuals who purchase the clothing themselves can claim a tax deduction for the value of the clothing.

Assistance from the TCF Corporate Wear Scheme has been allocated to the *Textiles, clothing, footwear and leather* industry grouping (table 3.30).

Table 3.30 **Allocation of the TCF Corporate Wear Program**

$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Textile, clothing, footwear and leather	41.1	52.2	46.0

Data source: DITR (2005e).

3.31 Refundable tax offset for large scale film production

The refundable tax offset for large scale film production provides a financial incentive for film production to be undertaken in Australia. Generally, a tax offset of 12.5 per cent of the qualifying Australian expenditure in a project is available to any feature film, tele-movie or mini-series with Australian expenditure in excess of $15 million. However, for projects where less than $50 million is spent in Australia, the project must expend a minimum of 70 per cent of its total production cost in Australia to qualify (DCITA 2003).

The refundable film tax offset selectively benefits film production companies. Under the Commission's ANZSIC–based classification, this measure is allocated to the *Cultural & recreational services* industry grouping (table 3.31).

Table 3.31 **Allocation of the Refundable tax offset for large scale film production**
$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Cultural and recreational services	5.0	35.0	35.0

Data source: The Treasury (2004).

3.32 Exemption of refundable film tax offset payments

Payments made under the Refundable Film Tax Offset for large scale film production (see section 3.13) are exempt from tax. This assistance has been allocated to the *Cultural and recreational services* industry grouping (table 3.32).

Table 3.32 **Allocation of exemption of refundable film tax offset payments**
$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Cultural and recreational services	1.0	3.0	15.0

Data source: The Treasury (2005).

3.33 Tourism Australia

A number of government programs aim to promote travel and tourism activities to and within Australia. While most support is provided by State and Territory governments, the Australian Government also contributes (PC 2005).

Until recently, the Australian Tourism Commission (ATC) was the Australian Government's principal tourism promotion agency. Established in 1967, its stated mission was to '… market Australia internationally to create a sustainable advantage for our tourism industry — for the benefit of all Australians.'

In July 2004, the ATC was amalgamated with the Bureau of Tourism Research, the Tourism Forecasting Council and See Australia Limited to form a new body: Tourism Australia. Tourism Australia is responsible for both international and domestic tourism marketing, and the delivery of research, statistics and forecasts for the sector. A unit has also been established to promote business events (including the 'meetings, incentives, conventions and exhibitions' sector) as well as sporting, cultural and other major events. Another unit has been established to promote niche markets (such as ecotourism, and food and wine tourism), and another to promote indigenous tourism.

Former allocation methodology

In the past, the Commission allocated only the ATC appropriation between industry groupings. The allocation was based on data on international tourist spending patterns, from the International Visitor Survey, March quarter 2000, published by the Bureau of Tourism Research (BTR — now Tourism Research Australia). The survey includes spending data on visitors travelling for holidays and leisure, business, employment and education purposes as well as for those visiting family and friends. The Commission used only the spending data of visitors who identified Holiday as their 'main purpose of journey'.

The survey includes several expenditure items and the Commission concorded these with its industry grouping classification. For example, expenditure items such as food and petrol were allocated to the *Retail trade* industry grouping since this is the industry that initially benefits from tourists buying goods. The allocations were confined to the services sector, reflecting the nature of the tourism 'industry' as a supplier of services to tourists.[11]

Revised allocation methodology

For the estimates in *Trade & Assistance Review 2004-05*, the Commission had intended to allocate the budgetary appropriation for Tourism Australia using a combination of International Visitor Survey (IVS) and National Visitor Survey

11 For a discussion of the nature of the tourism industry in the context of assistance measurement, see chapter 2 and appendix D of the Commission's research paper, *Assistance to Tourism: Exploratory Estimates* (PC 2005).

(NVS) data, to reflect the relatively greater focus of the body on encouraging domestic tourism. This data, however, was not available at the time the Commission finalised its estimates. Accordingly, the Commission has allocated assistance to Tourism Australia to the *Unallocated services* grouping (table 3.33).

Table 3.33 **Allocation of Tourism Australia funding**
$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Unallocated services	99.9	97.9	138.4

Data source: TA (2005).

3.34 Other tourism programs

In addition to funding the ATC/Tourism Australia, the Australian Government also supports tourism through initiatives such as the Regional Tourist Program. Funding for these programs, together with a number of other more recent initiatives, is presented in table 3.34a.

Table 3.34a **Tourism programs**
$ million

Program	*2002-03*	*2003-04*	*2004-05*
Cairns Foreshore Promenade Development	-	-	2.0
Regional Tourism Program	3.0	0.5	-
See Australia Domestic Tourism Initiative	1.5	1.5	2.4
Stockman's Hall of Fame	1.4	1.3	-
Tasmanian Infrastructure Initiative	-	1.1	0.0
Australian Tourism Development Program	-	-	4.0
Indigenous Tourism Business Ready Program	-	-	0.2
National Tourism Accreditation Framework	-	-	0.7
Cairns Esplanade Development	-	-	2.9
The Great Green Way - Tourism Initiative	-	-	1.9
Lancefield Visitor Information Centre & Reserve	-	-	0.2
Fairbridge Village Redevelopment	-	-	0.7
Kimberley Cultural Tourism Promotion	-	-	0.1
Willow Court Restoration of 'The Barracks'	-	-	0.0
Oatlands Callington Mill Upgrade	-	-	0.1
North East Chinese Heritage Trail	-	-	0.0
Tourism Operations	0.5	-	-
Tasmanian Regional Tourism	0.4	-	-
Back of Bourke Exhibition Centre	0.2	-	-
Total	**6.9**	**4.3**	**15.3**

Data source: DITR (2005e).

For *Trade & Assistance Review 2004-05*, the Commission had intended to allocate the other tourism programs using a combination of International Visitor Survey (IVS) and National Visitor Survey (NVS) data. In the absence of this data, however, the Commission opted to classify these programs as assisting the *Unallocated services* grouping (table 3.34b).

Table 3.34b **Allocation of Tourism Programs**
$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Unallocated services	6.9	4.3	15.3

Data source: DITR (2005e).

3.35 National Food Industry Strategy

The National Food Industry Strategy (NFIS) was announced in May 2002 and aims to enhance the Australia food industry's competitiveness. It includes:

- a $47.1 million package to create:
  - a food industry centre of excellence;
  - a graduate management program for food industry managers; and
  - a Food Innovation Grants Program, to provide matching funding for firms to undertake projects;
- a trade initiative focussed on market access, trade development and promotion; and
- a strategy to build more competitive food chains (Truss 2002).

The NFIS predominantly benefits food processors and has been allocated to the *Food, beverages and tobacco* industry grouping (table 3.35).

Table 3.35 **Allocation of the National Food Industry Strategy**
$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Food, beverages and tobacco	3.0	12.1	14.5

Data source: Australian Government Budget and Budget-related papers (various years).

3.36 Structural adjustment programs (regions)

The Australian Government has developed a number of structural adjustment packages, aimed at stimulating investment and employment in specific geographical areas, following reform of the major industry in a particular region:

- In August 1999, $3.6 million was announced for the Eden structural adjustment package;
- In December 2000, $5 million was announced for the South-West Forests (Western Australia) structural adjustment package; and
- In May 2001, $4 million was announced for the Wide Bay Burnett structural adjustment package.[12]

Typically, the structural adjustment package involves grants to (local) businesses to establish or expand — for example, under the Eden structural adjustment program there were grants to assist the development of a wholesale bakery, the expansion of a car dealership and the refurbishment of a historic hotel.

Table 3.36 **Allocation of structural adjustment programs**

$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Horticulture and fruit growing	0.2	0.0	-
Services to agriculture (incl. hunting and trapping)	0.1	-	-
Forestry and logging	0.0	0.0	-
Commercial fishing	0.1	0.0	-
Food, beverages and tobacco	0.6	0.1	-
Wood and paper products	0.0	-	-
Motor vehicles and parts	0.0	-	-
Other machinery and equipment	0.2	-	-
Other manufacturing	0.0	-	-
Wholesale trade	0.1	-	-
Retail trade	0.6	0.0	-
Accommodation, cafes and restaurants	0.4	0.0	-
Property and business services	0.1	0.0	-
Health and community services	0.1	-	-
Cultural and recreational services	0.5	0.0	-
Total	**3.1**	**0.2**	**-**

Data source: Australian Government Budget and Budget-related papers (various years).

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12 There are also a number of other structural adjustment packages for certain industries, such as sugar, and Agricultural Development Partnerships (which are discussed separately in other sections of this annex). The 'regional' structural adjustment packages differ in that they generally target 'replacement' industries in the region to which the package is directed.

The Commission concorded individual project funding to it's ANZSIC-based industry groupings. The Commission, however, does not have information on the annual profile of payments to these projects. Therefore, the annual total expenditure for each package has been apportioned across industry according to the proportion of the total package accounted for by each project grant (table 3.36).

3.37 Structural Adjustment Fund for South Australia

In May 2004, the Australian Government announced a Structural Adjustment Fund for South Australia (SAFSA) in response to the closure of Mitsubishi's engine plant in Lonsdale, South Australia. The Government's intention for the fund is that it support investment that would create sustainable new jobs in South Australia, with a focus on the Southern districts area of Adelaide. The SAFSA is to provide funding of up to $40 million, with an additional $5 million provided by the South Australian State Government (Howard 2004b, Macfarlane 2004a and DITR 2005e).

The first two projects to be awarded assistance under the SAFSA were to:

- Fibrelogic Pty Ltd ($5.9 million), to support the establishment of a new fibreglass reinforced pipe manufacturing plant in Southern Adelaide, to be built on land previously owned by Mitsubishi; and
- Cubic Pacific ($0.95 million), to support the construction of a new plant for the production of motor vehicle components at Edinburgh Park, in Adelaide's northern automotive supplier precinct.

In 2004-05, SAFSA expenditure was $2.7 million. DITR advised that all of the amount went to Fibrelogic. Accordingly, the Commission has allocated the expenditure to the *Petroleum, coal, chemical and associated products* industry grouping (table 3.37).

Table 3.37 **Allocation of the Structural Adjustment Fund for SA**

$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Petroleum, coal, chemical and associated products	-	-	2.7

Data source: DITR (2005e).

3.38 EFIC National Interest business

The Export Finance and Insurance Corporation (EFIC) is an Australian Government statutory authority which provides a range of credit and finance services to exporters. These services are provided through:

- a Commercial Account, in which the Government guarantees all EFIC businesses. However, EFIC has been self-funded building up its own reserves, and has not called on this guarantee; and
- a National Interest Account, in which EFIC is directed to undertake transactions which the Government considers to be in the 'national interest'. In these cases, the Government directly bears the costs if export payments are in default.

As EFIC receives no funding from the government to support its commercial account activities, these have not been considered in calculating assistance.

With regards to the national interest account, this has been used on an ad hoc basis, predominantly by commodity exporters (in the *Grain, sheep and beef cattle* industry grouping). The national interest account has also been used to accommodate debts accrued under a discontinued AusAid scheme — the Development Import Finance Facility. From these activities EFIC has built up a stock of debt and the government provides funding to EFIC for administering these debts.

To allocate this funding to the industries that initially benefited from insurance payouts (or other payments in the case of the DIFF debts), the Commission has used information about the country of origin of the debt (from EFIC's annual report). Debt that originates in Russia and Egypt is mostly associated with the commodity trade (supporting the *Grain, sheep and beef cattle* industry grouping). Debt associated with the DIFF originates predominantly from Indonesia, China and the Philippians. The Commission has little information on which industries benefited from the activities that lead to this debt.

As such, the proportion of outstanding loans to Russia and Egypt (25 per cent) has been allocated to the *Grain, sheep and beef cattle* industry grouping and the remainder has been placed in the *Unallocated other* grouping (table 3.38).

Table 3.38 **Allocation of EFIC national Interest business**

$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Grain, sheep and beef cattle farming	4.3	4.3	3.6
Unallocated other	12.8	12.8	10.7
Total	**17.1**	**17.1**	**14.3**

Data source: Australian Government Budget and Budget-related papers (various years).

3.39 Agricultural Development Partnerships program

The Agricultural Development Partnership (ADP) program was launched as a four year program in 2001-02. The objective of the ADP program was to assist regional communities to further develop the competitiveness and sustainability of their agricultural industries. Projects were to lead to a greater market focus and involvement in the supply chain process. Australian Government funding for each ADP project was matched on a dollar for dollar basis by the States.

The Commission has allocated Australian Government ADP program funding to the Commission's ANZSIC-based industry groupings based on grant recipient information (table 3.39).

Table 3.39 **Allocation of the Agricultural Development Partnership program**
$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Horticulture and fruit growing	1.7	2.7	1.1
Grain, sheep and beef cattle farming	0.7	1.2	0.5
Dairy cattle farming	0.7	1.2	0.5
Unallocated primary production	1.4	2.3	1.0
Total	**4.5**	**7.4**	**3.0**

Data source: Australian Government Budget and Budget-related papers (various years).

3.40 Industry Partnerships Program

The Industry Partnerships Program, introduced in 2004, is part of the *Agriculture Advancing Australia* suite of programs administered by the Department of Agriculture, Fisheries and Forestry. The program aims to provide an opportunity for participating industries to build a close relationship with the Australian Government and help increase profitability and competitiveness in the global market (Truss 2005). The program has three components:

- *Taking stock and setting directions*: aims to provide industries with the opportunities to assess their current situation and develop goals and strategies for the future;
- *Action partnerships to achieve success*: aims to assist industries with particular projects or issues or to capitalise on opportunities; and
- *Industry capacity building initiatives*: aims to improve the skills and knowledge of industry participants and increase their ability to operate in future environments.

Each year, DAFF provides data to enable the Commission to allocate funding from the Industry Partnerships Program to the Commission's ANZSIC-based industry groupings (table 3.40).

Table 3.40 **Allocation of the Industry Partnerships Program**
$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Horticulture and fruit growing	-	-	3.5
Grain, sheep and beef cattle farming	-	-	0.1
Poultry farming	-	-	0.1
Other livestock farming	-	-	0.1
Other crop growing	-	-	0.1
Commercial fishing	-	-	0.4
Unallocated primary production	-	-	0.2
Wood and paper products	-	-	0.1
Total	**-**	**-**	**4.7**

Data sources: Australian Government Budget and Budget-related papers (various years); unpublished data provided by DAFF.

3.41 Rural Financial Counselling Service

The Rural Financial Counselling Service provides grants to communities to provide free financial counselling services for primary producers, fishermen and small rural businesses. The Australian Government will provide up to half of the value of the service with the remaining costs to be met from alternative sources (such as state governments or local community groups) (DAFF 2005a).

Table 3.41 **Allocation of the Rural Financial Counselling Service**
$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Horticulture and fruit growing	0.8	1.0	0.7
Grain, sheep and beef cattle farming	1.7	2.0	1.9
Dairy cattle farming	0.6	0.6	0.4
Poultry farming	<0.1	<0.1	<0.1
Other livestock farming	0.4	0.4	0.3
Other crop growing	0.1	0.1	0.1
Forestry and logging	0.1	<0.1	<0.1
Commercial fishing	0.1	0.1	0.1
Unallocated primary production	1.5	1.2	1.0
Food, beverages and tobacco	0.1	0.2	0.2
Total	**5.4**	**5.5**	**4.6**

Data source: Australian Government Budget and Budget-related papers (various years).

The Department of Agriculture, Fisheries and Forestry provides the Commission with data on the numbers of businesses using the service in each ANZSIC industry. The Commission uses this industry user profile to allocate the expenditure total recorded in the Australian Government Budget papers (table 3.41).

3.42 Forest and Wood Products Research and Development Corporation

The Forest and Wood Products Research and Development Corporation (FWPRDC) is a statutory authority established in 1994 under the *Primary Industries and Energy Research and Development Act 1989*. The FWPRDC facilitates the undertaking of research and aims to improve the competitiveness and sustainability of the Australian forest and wood products industry. The FWPRDC is jointly funded by an industry levy and Government contributions.

Previously, the Commission allocated funding for FWPRDC entirely to the *Forestry and logging* industry grouping. For *Trade & Assistance Review 2004-05*, however, the Commission has reviewed this allocation and concluded that some of it’s activities also benefit the *Wood and paper products* industry grouping.

To allocate funding for FWPRDC between the *Forestry and logging* and *Wood and paper products* industry groupings, the Commission has examined individual ‘outputs’ of the Corporation. Outputs that appear to predominantly assist one industry have been wholly allocated to that industry, while outputs that appear to assist both industries have been split equally between each industry (table 3.42). Spending levels for each output have been obtained from FWPRDC annual reports.

Table 3.42 **Allocation of the Forest and Wood Products Research and Development Corporation**

$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Forestry and logging	1.5	1.6	1.4
Wood and paper products	1.5	1.6	1.5
Total	**2.9**	**3.1**	**3.0**

Data source: FWPRDC (2005).

3.43 Sugar Industry Reform Program

In April 2004, the Australian Government announced the Sugar Industry Reform Program (SIRP) 2004, with funding of up to $444 million. It includes:

- sustainability grants;
- income support;
- grower restructuring grants;
- business planning assistance;
- regional and community projects;
- an intergenerational transfer scheme;
- re-establishment grants; and
- re-training assistance.

While some of these elements may indirectly benefit ancillary sugar industry services (such as business planning providers), SIRP 2004 predominantly targets sugar cane growers and has been allocated to the *Other crop growing* industry grouping (table 3.43).

Table 3.43 **Allocation of the Sugar Industry Reform Program**
$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Other crop growing	-	69.9	129.4

Data source: Australian Government Budget and Budget-related papers (various years).

3.44 Australian Egg Corporation Limited

The Australian Egg Corporation Limited (AECL), which commenced in 2003, is a producer-owned company that undertakes marketing and research activities for the egg industry. The Corporation is funded by industry levies and government contributions (which match industry levies for research). The AECL aims to increase demand for eggs in Australia and enhance the competitiveness of egg producers (AECL 2005).

Government funding of the AECL is used for research purposes, to the benefit of the egg producers. Under the Commission’s industry classification, egg production falls under the *Poultry farming* industry grouping (table 3.44).

Table 3.44 **Allocation of Australian Egg Corporation Limited funding**
$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Poultry farming	-	1.1	0.8

Data source: AECL (2005).

3.45 Aquaculture industry action agenda

The National Aquaculture Workshop, held in Canberra in August 1999, established ten key initiatives for expanding the industry:

- Making a National Aquaculture Policy Statement;
- Promoting a regulatory and business environment that supports aquaculture;
- Implementing an industry driven Action Agenda;
- Growing the industry within a ecologically sustainable framework;
- Protecting the industry from aquatic pests and diseases;
- Investing for growth;
- Promoting aquaculture products in Australia and overseas;
- Tackling the research and innovation challenges;
- Making the most of education, training and workplace opportunities; and
- Creating an industry for Australians (DAFF 2005b).

The Australian Government agreed to assist with the implementation of the key initiatives of the Action Agenda in December 2002, with supporting funding being announced in the 2003–04 budget.

For *Trade & Assistance Review 2004-05*, the Commission has allocated funding for the action agenda to the *Commercial fishing* industry grouping (table 3.45). [13]

Table 3.45 **Allocation of the aquaculture industry action agenda**
$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Commercial fishing	-	2.5	1.0

Data source: Australian Government Budget and Budget-related papers (various years).

[13] For *Trade & Assistance Review 2004-05*, the Commission combined two of the primary production industry groupings — *Marine fishing* and *Aquaculture* — into a single industry grouping — *Commercial fishing*. Previously, government funding to assist with the action agenda had been allocated to the *Aquaculture* industry grouping.

3.46 Australian Seafood Industry Council

The Australian Seafood Industry Council (ASIC) is a peak body representing the commercial fishing, aquaculture and post-harvest seafood industries in Australia (ASIC 2004). Australian Government funding for ASIC assists those industries represented by the Council through the provision of funds for various activities of the Council that would have otherwise been funded through industry contributions or levies.

For *Trade & Assistance Review 2004-05*, the Commission allocated the ASIC funding to the *Unallocated other* grouping (table 3.46).

Table 3.46 **Allocation of Australian Seafood Industry Council funding**
$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Unallocated other	-	-	0.1

Data source: Australian Government Budget and Budget-related papers (various years).

3.47 Ovine Johnes Disease Control and Evaluation Program

The Ovine Johnes Disease (OJD) Control and Evaluation Program is a nationally agree framework for the management and control of OJD in Australia. The program requires farmers to determine the disease risk a particular line of sheep will present to their flock. This system is known as the 'assurance based credit scheme', with points being allocated with increasing levels of assurance that sheep in a particular area are not infected with OJD. The Program is coordinated by Animal Health Australia on behalf of stakeholders (AHA 2006a).

The Commission has allocated funding from the program to the *Grain, sheep and beef cattle farming* industry grouping (table 3.47).

Table 3.47 **Allocation of Ovine Johnes Disease Control and Evaluation Program**
$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Grain, sheep and beef cattle farming	0.1	0.1	0.3

Data source: Australian Government Budget and Budget-related papers (various years).

3.48 Tuberculosis Freedom Assurance Program

The Tuberculosis Freedom Assurance Program aims to maintain Australia's bovine tuberculosis-free status. Australia was declared free of bovine tuberculosis in December 1997. The program has in place surveillance procedures for the detection of any remaining bovine tuberculosis and its subsequent eradication. The Program is coordinated by Animal Health Australia on behalf of stakeholders (AHA 2006b).

The Commission has allocated funding from the program to the *Grain, sheep and beef cattle farming* industry grouping (table 3.48).

Table 3.48 **Allocation of the Tuberculosis Freedom Assurance Program**
$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Grain, sheep and beef cattle farming	-	1.0	0.6

Data source: Australian Government Budget and Budget-related papers (various years).

3.49 Citrus Canker Eradication Program

The Citrus Canker Eradication Program was introduced in response to an outbreak of citrus canker in the Emerald district in Queensland in June 2004. The principal aims of the program are to control and eventually eradicate the disease. These are primarily achieved through quarantine — prevention of the disease becoming established and spreading — and eradication measures — removal and destruction of infected and exposed trees (DAFF 2006).

The Commission has allocated funding from the program to the *Horticulture and fruit growing* industry grouping (table 3.49).

Table 3.49 **Allocation of the Citrus Canker Eradication Program**
$ million

Industry grouping	*2002-03*	*2003-04*	*2004-05*
Horticulture and fruit growing	-	-	3.5

Data source: Australian Government Budget and Budget-related papers (various years).

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