Australian Government
Productivity Commission

Trade & Assistance Review

Methodological Annex: for Reviews Commencing 2008–09

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The Productivity Commission

The Productivity Commission is the Australian Government's independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. Its role, expressed most simply, is to help governments make better policies, in the long term interest of the Australian community.

The Commission's independence is underpinned by an Act of Parliament. Its processes and outputs are open to public scrutiny and are driven by concern for the wellbeing of the community as a whole.

Further information on the Productivity Commission can be obtained from the Commission's website (www.pc.gov.au) or by contacting Media and Publications on (03) 9653 2244 or email: maps@pc.gov.au

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Abbreviations

Abbreviations

AAHC	Australian Animal Health Council
AAHL	Australian Animal Health Laboratory
ABARE	Australian Bureau of Agricultural and Resource Economics
ABS	Australian Bureau of Statistics
ACIS	Automotive Competitiveness and Investment Scheme
ACS	Australian Customs Service
AECL	Australian Egg Corporation Limited
AES	Advanced Electricity Storage
AFF	Australia’s Farming Future
AISAP	Automotive Industry Structural Adjustment Program
AMCL	Australian Made Campaign Limited
ANZSIC	Australia and New Zealand Standard Industrial Classification
APL	Australian Pork Limited
ARC	Australian Research Council
ASCDP	Automotive Supply Chain Development Program
ASEAN	Association of Southeast Asian Nations
ATC	Australian Tourism Commission
ATO	Australian Taxation Office
ATS	Automotive Transformation Scheme
AVIDG	Australian Vegetable Industry Development Group
AWI	Australian Wool Innovation
AWRAP	Australian Wool Research and Promotion Organisation
AWS	Australian Wool Services Ltd
BCE	Biotechnology Centre of Excellence

BECs	Business Enterprise Centres
BTR	Bureau of Tourism Research
CCAPP	Climate Change Adaption Partnerships Program
CCRP	Climate Change Research Productivity
CEI	Clean Energy Initiative
CER	Australia-New Zealand Closer Economic Relations Trade Agreement
CIE	Centre for International Economics
cif	cost, insurance and freight
COMET	Commercialising Emerging Technologies
CRC	Cooperative Research Centres
CRDC	Cotton Research and Development Corporation
CRP	Commercial Ready Program
CSIRO	Commonwealth Scientific and Industrial Research Organisation
DA	Dairy Australia
DAA	Development Allowance Authority
DAFF	Department of Agriculture, Fisheries and Forestries
DBCDE	Department of Broadband, Communications and Digital Economy
DCCEE	Department of Climate Change and Energy Efficiency
DCITA	Department of Communications, Information Technology and Arts
DFA	direct financial assistance
DHA	Department of Health and Ageing
DIAP	Dairy Industry Adjustment Package
DIISR	Department of Innovation, Industry, Science and Research
DIT	Department of Infrastructure and Transport
DPMC	Department of Prime Minister and Cabinet
DRET	Department of Resources, Energy and Tourism
DSEWPC	Department of Sustainability, Environment, Water, Population and Communities

EC	Exceptional Circumstances
EDP	Ethanol Distribution Program
EFIC	Export Finance and Insurance Corporation
EIF	Energy Innovation Fund
EMDG	Export Market Development Grants
ERA	effective rate of assistance
ESVCLP	Early Stage Venture Capital Limited Partnerships
FI	finding of intermediaries
FMD	Farm Management Deposits
fob	free on board
FRP	Fisheries Research Program
FRDC	Fisheries Research and Development Corporation
FRRP	Fisheries Resources Research Program
FSA	Fisheries Structural Adjustment
FWPRDC	Forest and Wood Products Research and Development Corporation
GGAP	Greenhouse Gas Abatement Program
GIIF	Geelong Investment and Innovation Fund
GRDC	Grains Research and Development Corporation
GSE	gross subsidy equivalent
GVA	Gross Value Added
GVP	gross value production
GWRDC	Grape and Wine Research and Development Corporation
HAL	Horticulture Australia Limited
HCC	High Costs Claims
IAC	Industries Assistance Commission
IBI	initial benefiting industry
IC	Industry Commission
ICT	Information and Communication Technologies
IIF	Innovation Investment Fund
IIFSA	Investment Fund for South Australia

IIS	Interim Income Support
IOIG	Input-Output Industry Group
IOPC	Input-Output Product Classification
IVS	International Visitor Survey
LETDF	Low Emissions Technology Demonstration Fund
LPG	Liquefied Petroleum Gas
LWA	Land and Water Australia
MFN	most favoured nation
MLA	Meat and Livestock Australia
MVP	motor vehicles and parts
NLECI	National Low Emissions Coal Initiative
NICTA	National ICT Australia
NIDP	New Industry Development Program
NLIS	National Livestock Identification System
NSE	net subsidy equivalent
NUWDP	National Urban Water and Desalination Plan
NVS	National Visitor Survey
OBU	Offshore Banking Unit
PC	Productivity Commission
PDF	Pooled Development Funds
PIIP	Pharmaceutical Industry Investment Program
PPP	Pharmaceuticals Partnership Program
PS	Premium Support
PTAs	preferential trade agreements
R&D	Research and development
REDI	Renewable Energy Development Initiative
RFCS	Rural Financial Counselling Service
RIRDC	Rural Industries Research and Development Corporation
SA	Screen Australia
SAFSA	Structural Adjustment Fund for South Australia

SAIIF	South Australian Innovation and Investment Fund
SBS	Special Broadcasting Service
SEO	Social Economic Objective
SICDF	Scottsdale Industry and Community Development Fund
SIP	Strategic Investment Program
SIRP	Sugar Industry Reform Program
SMEs	small and medium sized enterprises
SRDC	Sugar Research and Development Corporation
SRWUI	Sustainable Rural Water Use and Infrastructure
TAS	Tasmanian Assistance Services
TCFL	Textiles, Clothing, Footwear and Leather
TCS	Tariff Concession System
TE	tax expenditures
TEM	tax equivalent on materials
TES	Tax Expenditure Statement
TFES	Tasmanian Freight Equalisation Scheme
TFT	Tasmanian Forest Tourism
TIDES	Tariff and Import Database and Estimating System
TSPFP	Torres Strait Prawn Fisheries Program
VCLP	Venture Capital Limited Partnership
WTO	World Trade Organization

1 About this annex

Under its establishing Act, the Productivity Commission is required to report annually on industry assistance and its effects on the economy. As part of fulfilling this function, the Commission publishes quantitative estimates of assistance to Australian industry each year in its *Trade & Assistance Review*. Quantifying industry assistance helps to show who is advantaged and who is disadvantaged by the assistance structure and can enable governments to make better informed policy decisions, potentially allowing them to improve the allocation of a community's scarce resources and, through this, improve community welfare.

The Commission commenced publishing assistance estimates in the early 1970s. The estimates initially focussed on the main forms of import protection for the manufacturing sector and domestic marketing arrangements for agriculture. Over time, the coverage has been expanded to include a broader range of measures (most notably budgetary outlays and tax concessions) affecting most sectors of the economy.

The estimates have been derived in several 'series', each spanning a number of consecutive years. Each series retains a common methodology, coverage of measures and data sources across those years.

In *Trade & Assistance Review 2008-09*, the Commission published the first of a new series of assistance estimates (PC 2010). The new series — called the '2004-05 series' to reflect the underlying input-output data used to benchmark the estimates — incorporates revisions to the coverage of assistance programs as well as to data sources and methodologies. The estimates published in the 2008-09 *Review* covered the years 2003-04 to 2008-09.

This Methodological Annex describes the new series, providing details of the changes made and information to assist the interpretation of the estimates. It is structured as follows:

- Chapter 2 provides an overview of the Commission's assistance measurement system and is intended for readers seeking a general grasp.
- Chapters 3 and 4 discuss elements of the system in more detail, explaining how the various estimates are derived and elaborating on their interpretation.

- Chapter 5 explains the methodological changes in moving from the previous (2001-02) series of estimates to the 2004-05 series, particularly the technical changes to the input-output database.
- Appendix A identifies all the budgetary measures included in the 2008-09 assistance estimates and the industry allocation.
- Appendix B provides an alphabetical listing of budgetary assistance programs.

This annex is the latest in a series of papers providing information and updates on the Commission's assistance estimates and methodologies. Other relevant annexes, published since 2000, are listed in the following table.

Table 1.1 **Previous methodological annexes to *Trade & Assistance Review***

Date	*Title*	*Details*
December 2000	Allocating Budgetary Assistance by 27 ANZSIC-based Industry Groupings	Methodological Annex: Trade & Assistance Review 1999-2000
December 2002	The Commission's Assistance Measurement System	Methodological Annex A: Trade & Assistance Review 2001-02
December 2002	Allocating Budgetary Assistance to Primary Production by 10 ANZSIC-based Industry Groupings	Methodological Annex B: Trade & Assistance Review 2001-02
June 2006	Allocating Budgetary Assistance by Industry Groupings: Recent Revisions	Methodological Annex: Trade & Assistance Review 2004-05
December 2008	The '2001-02' series of assistance estimates	Methodological Annex: Trade & Assistance Review 2005-06 and 2006-07

A full list of Commission *Trade & Assistance Reviews* can be found at http://www.pc.gov.au/annualreports/trade-assistance.

2 Overview of the Commission's assistance measurement system

2.1 Coverage of assistance instruments

Section 10(6) of the *Productivity Commission Act 1998* defines assistance to industry as:

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

Reflecting this broad definition, an array of different instruments can provide assistance to industry. These include:

- tariffs, quotas, anti-dumping duties and regulatory restrictions on imported goods and services, such as local design rules and quarantine laws;
- grants and subsidies for domestic producers;
- tax concessions and offsets for domestic producers;
- 'in-kind' assistance provided by publicly-funded intermediaries, such as certain research undertaken by CSIRO;
- regulatory restrictions on domestic competition, such as those provided by some statutory marketing arrangements and legislation that reserves markets for particular groups (as in pharmacy service provision);
- the provision of services by government agencies at concessional prices; and
- government procurement policies.

For its annual estimates of industry assistance as published in *Trade & Assistance Review*, the Commission does not cover all forms of government support to industry. Rather, it focuses on the main forms of support that *selectively* assist firms, activities or industries and that can be quantified on an annual basis given practical constraints in measurement and data availability.

The key classes of assistance covered in the annual estimates are Australian Government budgetary assistance (including grants, subsidies and tax concessions) and tariff assistance (including tariff concessions). The estimates also include some agricultural pricing and regulatory assistance, although the number and impact of individual assistance instruments in this category has declined in recent years. The coverage of assistance under each of these categories, including changes made for the 2004-05 series, is described in detail in chapters 3 and 4 of this annex.

Assistance instruments that are not covered in the annual estimates include:

- *Restrictions on trade in services* — the nature of these restrictions and the difficulties in establishing a 'benchmark price' for services means it is difficult to determine the level of assistance associated with these restrictions. However, the Commission has separately published specific studies of barriers to services trade, and their price impacts.
- *Anti-dumping and countervailing measures* — the Commission does not include the assistance effect of these duties in its national estimates, but reports year-to-year usage.
- *State government assistance* — apart from nationally-significant agricultural pricing and regulatory assistance provided by State arrangements, the Commission does not include State government assistance as part of its annual estimates. However, from time-to-time, the Commission has published broad estimates of the level of State government budgetary assistance to industry.[1]
- Various other assistance instruments, including government purchasing preferences, the underpricing of infrastructure, the impact of tariffs on the cost of capital use, any assistance effect that may be associated with quarantine restrictions, and government programs affecting a range of service industries relating mainly to the provision of health and welfare, where funding predominantly benefits consumers and individual citizens.

1 The Industry Commission published such estimates for the years 1994-95, 1995-96 and 1996-97 as part of its 1996 public inquiry into *State, Territory and Local Government Assistance to Industry* (IC 1996). The Productivity Commission also published similar estimates for the years 2000-01 and 2001-02 (in *Trade & Assistance Review 2001-02)* and 2008-09 (in *Trade & Assistance Review 2009-10*)

2.2 Classification of assistance

Industry groupings

As well as estimating the assistance provided by various instruments, *Trade & Assistance Review* also estimates the incidence of that assistance by industry.

The level of industry detail at which the Commission reports on assistance, and the focus of its estimates, have changed over time. The initial focus was on assistance within the traded goods sectors — particularly manufacturing and agriculture — where levels of assistance were found to be high. Over time, assistance to these sectors has been reduced while services activities have increased in relative economic importance and now account for around four-fifths of employment and Gross Domestic Product (GDP) in Australia.

Reflecting these changes, the Commission has focused more on the services sector, and has rationalised and combined its estimates in relation to manufacturing and agriculture. This rationalisation has also allowed it to include more forms of assistance into the one estimate — while tariff assistance can be disaggregated to a fine level of commodity detail, this is not possible for much budgetary assistance, information for which tends to be provided more at a broad industry or sectoral level than at the commodity level.

In *Trade & Assistance Review 2008-09*, estimates of combined assistance were presented for 38 'industry groupings' including 4 'unallocated' groupings (table 2.1). The industry groupings are based on the classification of industries in the 1993 edition of the Australia and New Zealand Standard Industrial Classification (ANZSIC).[2] The 38 published industry groupings comprise 9 in the primary production sector, 12 in the manufacturing sector, 15 in the services sector, a mining group, and an unallocated other group.

[2] A revised version of the ANZSIC was released in 2006. As the ABS 2004-05 Input-Output tables which underlie the assistance estimates, are based on the 1993 classification, this classification is adopted in the current series.

Table 2.1 **Industry groupings used for reporting assistance in *Trade & Assistance Review 2008-09***

Industry grouping	*ANZSIC 1993 codes*
Primary production	**A**
Dairy cattle farming	013
Grain, sheep and beef cattle farming	012
Horticulture and fruit growing	011
Other crop growing	016
Other livestock farming	015
Fisheries	04
Forestry & logging	03
Other primary production	014, 02
Unallocated primary production	-
Mining	**B**
Manufacturing	**C**
Food, beverages & tobacco	21
Textiles, clothing, footwear & leather	22
Wood & paper products	23
Printing, publishing & recorded media	24
Petroleum, coal, chemical & associated. products	25
Non-metallic mineral products	26
Metal product manufacturing	27
Motor vehicles & parts	281
Other transport equipment	282
Other machinery & equipment	283-286
Other manufacturing	29
Unallocated manufacturing	-
Services	**D-Q**
Electricity, gas & water supply	D
Construction	E
Wholesale trade	F
Retail trade	G
Accommodation, cafes & restaurants	H
Transport & storage	I
Communication services	J
Finance & insurance	K
Property & business services	L
Government administration & defence	M
Education	N
Health & community services	O
Cultural & recreational services	P
Personal & other services	Q
Unallocated services	-
Unallocated other	-

Under the ANZSIC (1993) delineation of economic activities, there are no separate categories for functional groupings such as *Information Technology* (IT) and *Tourism*. Rather, IT and tourism-related activities fall within several ANZSIC industry categories. While the Commission does not report assistance to these functional groupings in its annual estimates, from time to time it undertakes studies that cover assistance to functional groupings.[3]

Other categorisations

As well as estimating the incidence of assistance by industry groupings, *Trade & Assistance Review* categorises the assistance provided by different instruments:

- by one of three mains forms — tariffs, budgetary, and agricultural marketing and regulatory arrangements; and
- by one of eight targeted activities — R&D, exports, investment, industry-specific, sector-wide, small business, regional/structural adjustment, and a residual 'other' category.

These categorisations are explained further in chapter 3.

2.3 Estimation procedures

The approach adopted by the Commission to estimating the value of assistance varies depending upon the instruments used to provide the support:

- Where governments impose tariffs on imports, the assistance to competing Australian producers is determined as the subsidy equivalent inferred from the price increase allowed (in principle) by the tariff on Australian producers' domestic sales; not by the amount of tariff revenue collected on imports.
- Where the protected goods are used by other industries as inputs, the negative assistance caused by tariffs on inputs is assessed as the tax equivalent imposed by tariffs on inputs (whether locally produced or imported) used in production.
- Where governments provide grants and subsidies directly to firms, the program costs of the subsidy are recorded as assistance. The annual estimates generally exclude the policy advice and general administration costs of government agencies that administer grants and other assistance programs.

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[3] The Commission published estimates of assistance to tourism, from Commonwealth and State Governments, for three years from 2000-01 to 2002-03, in its 2005 Research Paper *Assistance to Tourism: Exploratory Estimates* (PC 2005).

- Where governments fund services that indirectly assist an industry, such as funding of CSIRO to conduct research activities, the full funding (excluding any industry contributions) is deemed to be assistance.
- Where governments provide tax concessions — exemptions, deductions, offsets, rebates, lower tax rates or tax liability deferrals — on a selective basis, the value of the assistance provided is estimated as the amount of tax revenue forgone by the government, at current industry activity levels.

In quantifying the assistance provided each year by various measures, the Commission draws on a range of data sources, including:

- the Australian customs tariff schedule;
- ABS data on foreign trade flows, agricultural production, producer prices, the national accounts and input-output ratios;
- Australian Government budget papers;
- annual reports of government departments and agencies;
- the Australian Government Tax Expenditure Statement;
- Australian Taxation Office taxation statistics; and
- other government department and agency publications and communications.

The estimation procedures, and associated qualifications, are explained in more detail in chapters 3 and 4 of this paper.

2.4 Types of assistance measures

In reporting on assistance, the Commission uses several measures that highlight different aspects of assistance and its effects on the economy and that facilitate comparisons of the effects of the diverse assistance arrangements which affect businesses in the different sectors of the economy.

The basic concepts underpinning assistance measurement evaluation are:

- the *gross subsidy equivalent (GSE)*, which is the dollar value of assistance to an industry's or activity's *outputs*.
- the *tax equivalent on materials (TEM)*, which is the dollar value of the penalty on an industry's or activity's *inputs* due to the price-raising effects of tariff assistance on those inputs.

- the *net subsidy equivalent (NSE)*, which is a measure of the dollar *value of net assistance* to an industry's or activity's value added (and is equal to the GSE *plus* any assistance to value-adding factors, *less* the TEM).

These concepts are used to define the *Trade & Assistance Review* publication categories:

- *Gross combined assistance* which is equal to the dollar value of assistance to outputs (the GSE) plus assistance to value adding inputs; and
- *Net combined assistance* (or NSE) which is equal to gross combined assistance less the dollar value of assistance to inputs (the TEM).

The dollar value of net combined assistance is accompanied by a 'rate of assistance' measure, namely the *effective rate of assistance (ERA)* which is defined as the net combined assistance to industry (that is, the NSE) divided by the industry's net output (measured in unassisted prices) or, more formally, its 'unassisted value added'.[4]

The measures used by the Commission are explained in more detail in chapters 3 and 4.

2.5 Interpretation

Estimates of industry assistance are intended to aid transparency and facilitate analysis of public policies. Such estimates can help to reveal which activities benefit and which are penalised in the first instance from relevant government policies. Interpreted carefully, assistance estimates also provide an indication of the resource allocation effects of the assistance structure. By highlighting which policies afford the greatest assistance or which industries receive the most assistance, they can aid in the prioritisation of policy reviews. Assistance estimates can also be of use as an input into broader evaluations of the merits of particular policies.

4 Other assistance concepts that can be calculated include: the *nominal rate of assistance on outputs* which is the GSE divided by the industry's value of production (measured in unassisted prices); the *nominal rate of assistance on inputs* which is the TEM divided by the industry's value of materials (measured in unassisted prices). These concepts were calculated and reported by the Commission when tariff and other assistance to outputs were more prominent in the structure of Australian assistance to industry.

However, care is required when using the estimates, particularly to draw inferences about the impact of assistance on the allocation of resources between different industries or activities and the merits of policies. Key qualifications are that:

- the estimates do not cover all government measures that may assist firms, activities or industries;
- the measurement methodology uses a 'static' framework, so the estimates do not take account of the responses of producers and consumers to the incentives created by the provision of assistance;
- rates of assistance reported at the sectoral or industry level may hide variations in assistance to individual activities and/or firms, respectively, within those categories; and
- while measures such as the net subsidy equivalent provide an indication of the transfers of income to producers from consumers, taxpayers and intermediate suppliers, they do not indicate the welfare costs (or benefits) of the assistance to the community.

Further discussion on the interpretation of the annual estimates of government assistance to industry is provided in chapter 4.

3 Assistance coverage and estimation

The key forms of assistance covered in the Commission's annual estimates are:

- tariff assistance;
- budgetary assistance provided by the Australian Government; and
- agricultural pricing and regulatory assistance.

This chapter explains what is covered under each category and how the Commission classifies and quantifies the assistance provided.

3.1 Tariff assistance

Tariffs have a number of direct effects on the returns received by Australian producers. Tariffs on imported goods increase the price at which those goods can be sold on the Australian market. This potentially allows domestic producers of competing products to increase their prices. On the other hand, tariffs also potentially increase the price of goods that are used as inputs by Australian producers and thus penalise some Australian producers. This 'penalty' is reduced if tariff concessions are available to Australian users or there is sufficient competition in the domestic market to drive the local price below the tariff inflated price of imports.

Australia's tariffs on imported goods are set by the Australian Government and a record of individual tariff levels is maintained in the Australia Customs Tariff Schedule. Australian tariffs are levied on the value of imports in the foreign port (that is, the 'free on board' (fob) value), as opposed to the landed value of imports (that is, the 'cost, insurance and freight' (cif) value).

Tariffs (and quotas) on imports have been reduced significantly since the early 1970s. As a result, with the exception of goods within the *Textiles, Clothing, Footwear & Leather* (TCFL) and *Motor vehicles & parts* (MVP) industries (until 1

January 2010), and of some cheeses,[1] all general tariffs applied to imports are now 5 per cent or less.

For some tariff items and some categories of trade, concessional entry or duty exemptions are afforded imports. The main forms of tariff concessions and duty exemptions include the following:

- *Duty exemptions or preferences for selected countries*. Imports from certain sources, such as qualifying goods from Papua New Guinea, the Forum Islands and some other developing countries, are given duty free status. Australia is also a party to a number of bilateral and regional preferential trade agreements, including with New Zealand, Canada, Singapore, Thailand, the United States, and ASEAN countries, under which imports enter at preferential rates (generally as a zero tariff).
- *Tariff concessional arrangements*. Imports entering under the Tariff Concession System (TCS), Project and other policy by-laws, the Automotive Competitiveness and Investment Scheme (ACIS),[2] the Duty Drawback Scheme and TRADEX typically enter at a zero or concessional rate.
- *Duty exemptions for government imports*. Certain government imports enter duty free. Such imports are for defence purposes and general government use.

Quantification of tariff assistance

Estimates of tariff assistance for outputs and tariff cost penalty for inputs are derived in two stages. These involve:

- using the Commission's Tariff and Import Database and Estimating System (TIDES) model to provide estimates of the 'price impacts' of tariffs for both output and input goods; and
- combining these results with ABS Input-Output data to derive NSE estimates of tariff assistance.

1 The importation of cheese and curd into Australia is subject to a tariff-quota arrangement. The quota allows for the importation of 11 500 tonnes of cheese per annum at a 'specific' tariff rate of $0.096 per kilogram. If the quota is exceeded (in a financial year), imports are subject to a much higher 'out-of-quota' tariff rate of $1.220 per kilogram. For the Commission's assistance estimates, it is assumed that the full effects of the out-of-quota tariff are passed onto domestic consumers in the form of higher prices.

2 Ceased 1 July 2010.

Stage 1: Calculating price impacts using TIDES

Information from the Australian Customs tariff schedules and ABS merchandise trade imports is used in TIDES to estimate the price impacts of tariffs and quotas for both domestic and imported goods.

Step 1: Imputed duty

As a first step, it derives an estimate of 'imputed duty' for each import item — that is, the duty payable for each tariff item, given its value of imports and operative tariff rate. The calculations are made at the 8-digit tariff line item level.

To take into account the effects of relevant tariff concessions and duty exemptions on imported goods, TIDES separates the import data into three groups and then estimates imputed duty separately for each group. These groups, and estimation conventions applied to each, are:

- *General* entry items. General entry items comprise imported goods that are subject to the general most favoured nation (MFN) tariff rate and do not receive any form of tariff concession or duty exemption. For this group, imputed duty is calculated as the 'free-on-board' (fob) value of imports for duty multiplied by the annualised actual tariff rate for each tariff item.[3]
- *Government* entry items. Government entry items comprise goods imported by the government such as defence goods and goods for general government use. Goods subject to government entry enter duty free. Imputed duty for this group is set equal to zero.
- *Concessional* entry items. Concessional entry items comprise imported goods for which the general tariff rate is amended to reflect concessional entry (for example, commercial tariff concessions). For this group, the calculation of imputed duty is similar to that for *general* entry items except that the tariff rate is adjusted to reflect the tariff concession.

In calculating these imputed duty estimates, the Commission abstracts from the effects of the duty exemptions or preferences for selected countries, outlined above. The effects of the preferential tariff rates in preferential trade agreements depends on various matters, including the extent to which producers in partner countries

[3] Where a tariff rate changes during the year, a simple average of the old and new tariff rates is derived for that year. For example, when PMV tariff rates declined from 15 per cent to 10 per cent on 1 January 2005, an average tariff rate of 12.5 per cent was used to represent PMV tariffs during the 2004-05 financial year.

undercut the price of rival imports in Australia, rather than simply 'pocketing' the concession provided (see box 3.1).

Box 3.1 **Assistance effects of Preferential Trade Agreements**

The tariff preferences provided under PTAs need not result in any significant impact on prices in the domestic market and, thus, on assistance to Australian industry provided by the general (MFN) tariff regime. This would be the case if producers in the partner country effectively 'pocketed' the tariff concessions, rather than reduced their prices below the prevailing (tariff-inflated) price of rival imports.

However, to the extent that tariff concessions provided by PTAs result in a reduction in the prices of imported products in the Australian market, assistance to the relevant industry's outputs will be lower than that implied by the MFN rate. Equally though, to the extent that the price of imported inputs falls as a result of PTA preferences, the penalties (or negative assistance) on the industry's inputs will also be lower than implied by the MFN rate. Whether this leads to a net overstatement or understatement of assistance to the Australian industry in question would depend on trade patterns with the PTA partner countries, which products are subject to price reductions, and their relative magnitudes.

On the other hand, to the extent that PTAs afford Australian producers preferential market access in partner countries, assistance to those producers could be increased. In effect, Australian producers would obtain the benefit of assistance provided by a partner country's general tariff regime for their exports to that market. The actual assistance effects would depend on the extent of trade between partner countries and the margin of preference afforded by the PTA.

The Commission published, as a supplement to its Research Report on the Australia-New Zealand Closer Economic Relations Trade Agreement (CER), estimates of assistance provided by CER tariff preferences (PC 2004). A further discussion of these effects is provided in that document.

Step 2: Map the imputed duty from import item to input-output product classification

The second step is to recode the imputed duty estimates at the 8-digit tariff schedule level (about 6000 items) to the 2004-05 Input-Output Product Classification (IOPC) level (about 1400 items). TIDES does this using a concordance provided by the ABS. (The same procedure is used to recode the landed value of imports, which is also necessary for determining price impacts (see below) at the IOPC level.)

Step 3: Calculate tariff price effects for both outputs and inputs

In the third step, TIDES derives estimates at the IOPC classification level of the price impacts of tariffs and quotas on domestic producer prices — both for particular goods as outputs and the same goods when used as inputs. The price impacts of tariffs are defined as the imputed duty divided by the landed value of imports (that is, the cost, insurance and freight (cif) value for each category of good):

- For goods as *outputs*, only data from the *general* entry group is used to estimate the domestic price impacts of tariffs and quotas for each item of trade. *Government* and *concessional* entry items are excluded as they are assumed not to be competing with domestically supplied items.
- For goods when used as *inputs*, data from the *general* and *concessional* entry groups are used to calculate the domestic price impacts of tariffs and quotas. The trade data does not identify the mix of *general* and *concessional* entry items by each industry; only the overall split for total imports of the item. Thus, it is necessary to assume that every industry uses the same aggregate mix. Goods subject to *government* entry are excluded as they are assumed to be directed to final use (consumption or investment by government).

Stage 2: Estimating subsidy and tax equivalents using ABS Input-Output data

The price impacts of tariffs (and quotas) are then combined with ABS Input-Output data to derive estimates of border assistance for both output and input goods.

For goods as outputs, the price impacts of tariffs (and quotas) are combined with ABS Input-Output domestic production data to estimate the dollar value of output tariff assistance — the Gross Subsidy Equivalent (GSE).

For goods when used as inputs, the price impact of tariffs (and quotas) (that is, the nominal rate of assistance on inputs) are combined with ABS Input-Output intermediate usage data to derive estimates of input tariff assistance — the Tax Equivalent on Materials (TEM). The TEM is negative assistance — the cost penalty on producers from using imported inputs, or their domestic equivalent, that are subject to the price rising effects of tariffs (and quotas).

The GSE and TEM estimates are initially derived by the ABS (on request from the Productivity Commission using the TIDES price data) at the detailed level of the IOPC (around 1400 items). The ABS then aggregates the detailed results to the 'standard' 109 industry ABS Input-Output Industry Group (IOIG) classification. The ABS returns these aggregated, non-confidential results to the Commission.

The Commission then calculates, at the 109 industry level, net tariff assistance, or the Net Subsidy Equivalent (NSE), as the GSE less the TEM.

For publication in *Trade & Assistance Review*, the Commission aggregates the 109 industry results to the ANZSIC-based 38 industry level and combines these estimates with estimates of budgetary assistance at the 38 industry level.

3.2 Budgetary assistance

Coverage

The annual estimates include a wide range of budgetary measures.

The specific measures, as published in *Trade & Assistance Review 2008-09,* (and with funding in the 2008-09 year), are listed in table 3.1 at the end of this chapter. The coverage of measures included in the budgetary estimates is revised regularly to reflect the expiration of programs or the introduction of new programs.

While the estimates cover a wide range of Australian Government budgetary measures, they do not incorporate all budgetary measures which provide support for industry, for a range of practical as well as conceptual reasons. Among the exclusions are:

- budgetary measures which are generally available to all firms – for example, reductions in company tax rates applying to all firms;
- various outlays focussed on public administration, defence, health, education, the environment and the labour market;
- budgetary assistance provided by State, Territory and local governments; and
- spending on infrastructure, except where it clearly applies to specific activities.

Classifications

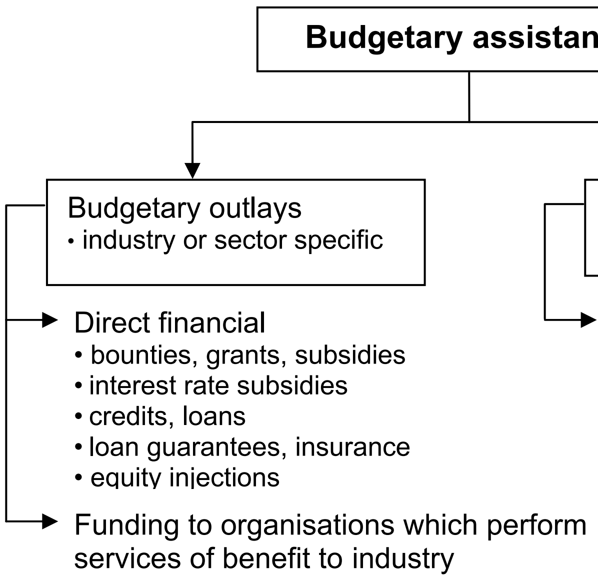
To provide some indication of the nature of Australian Government budgetary assistance, the Commission classifies budgetary assistance according to:

- the *form* of budgetary assistance;
- the *activity* it predominantly assists; and
- the *sector* and *industry grouping* to which it applies.

Forms of budgetary assistance

Budgetary measures are categorised as either *budgetary outlays* or *tax expenditures* (or '*concessions*'),[4] which are further distinguished by the type of benefits provided (figure 3.1).

Figure 3.1 **Forms of budgetary assistance**



In relation to budgetary outlays, a distinction is made between:

- *Direct financial assistance (DFA)* — such as bounties, grants and subsidies, interest rate subsidies, loans, credits and guarantees; and government equity participation; and
- *Funding of intermediaries (FI) which perform activities of benefit to industry* — such as funding of CSIRO and CRC research programs, Austrade's International Business Services and Tourism Australia.

In contrast to DFA, the provision of services through the funding of intermediaries raise producers' returns indirectly (for example, where research improves crop yields or manufacturing processes, or, as in the case of tourism assistance, through the provision of generic marketing).

4 Some industry assistance is in the form of a 'tax expense' (such as the Film Tax Offset and R&D Tax Offset for small companies). These are 'delivered' by the Australian Tax Office as part of tax assessments of eligible businesses. Tax expenses are included in the Commissions' tax 'concession' category.

Tax expenditures (TE) provide financial benefits to industry in the form of tax exemptions, deductions, rebates, preferential tax rates and tax deferrals. Tax deductions, such as the R&D tax concession, allow certain expenditures to be eligible for deductions which normally would not be allowed in the tax system. Preferential tax rates involve the application of a lower tax rate for particular industries. The deferral of tax over a number of years provides pecuniary benefits to recipient firms.

Activities assisted

Budgetary assistance is often designed to encourage particular activities to support particular firms industries or sectors. To provide an indication of the distribution of assistance among activities, the Commission classifies its estimates of Australian Government budgetary assistance into one of eight categories:

- R&D measures — schemes which support business research, such as R&D tax concessions and funding of rural R&D corporations, CSIRO and CRCs;
- general export measures — such as the Export Market Development Grants scheme, import duty drawback, TRADEX and Austrade;
- general investment measures — schemes which encourage certain types of investment, such as the development allowance and several former investment attraction packages;
- industry-specific measures — schemes which are designed to encourage production in particular industries, such as the Automotive Competitiveness Investment Scheme, the TCF Strategic Investment Program, film industry measures and the Offshore Banking Unit tax concession;
- sector-wide measures — programs which are specific to a particular sector, such as agriculture, to facilitate adjustment or provide income support;
- small business programs — measures which specifically restrict eligibility to ‘small’ businesses (variously defined across programs) such as certain capital gains tax concessions;
- regional assistance programs — measures intended to promote regional industry such as Regional Partnerships and Tasmanian Freight Equalisation Scheme and various structural adjustment programs with a regional focus; and
- other measures — schemes that do not fall within any of the above categories such as the Venture Capital Limited Partnerships Program and the Pooled Development Funds Program.

Some caution is required in interpreting estimates by activity because some programs could 'fit' into more than one category, for instance rural R&D could be R&D or sector specific (rural). The Commission has allocated the program's total funding to one category only.

Sectoral and industry incidence

As well as classifying budgetary assistance by form and activities, the Commission also estimates the incidence of budgetary assistance by industries, based on a concept of 'initial benefiting industry' (IBI) (box 3.2).

Prior to 1999, the incidence of budgetary assistance was reported using a four-sector classification of the economy. Over time, the Commission has disaggregated the agriculture, manufacturing and services categories and now reports assistance at 34 defined industry groupings, plus 4 unallocated groupings (table 2.1).[5]

In allocating assistance to industry groupings, the Commission examines each program individually. Programs that assist only a single industry, such as the TCF Strategic Investment Program or the Grape and Wine R&D Corporation, are allocated directly to that industry (TCFL and *Horticulture*, respectively). However, many programs assist multiple industries — for example, income tax averaging provisions. The Commission uses a variety of sources in determining to what extent each industry is likely to benefit from these programs.

- Where the Commission can obtain sufficiently detailed data for a program, it has used this information to distribute the program's funding among the initial benefiting industries. For example, it obtains 4-digit ANZSIC claims data for the Export Market Development Grants scheme which is sufficiently detailed to determine the degree to which each industry grouping benefits from the program.

5 In 2000, the industry classification was broadened to include 27 industry groupings. Under this system, primary production and mining remained as single categories, while manufacturing and services were subdivided into 11 and 14 industry groupings, respectively. This disaggregation was first completed for the *Trade & Assistance Review 1999-2000* and a detailed description of the methodology used was included in a *Methodological Annex* (PC 2000). For *Trade & Assistance Review 2001-02*, the Commission expanded its industry classification to include 10 new primary production groupings. The new allocation provided significantly more detail than the previous classification. The methodology used to disaggregate the estimates for primary production was included in *Methodological Annex B* of the 2001-02 Review (PC 2002).

Box 3.2 **The 'initial benefiting industry' allocation method**

Under the 'initial benefiting industry' (IBI) methodology for estimating the incidence of assistance, assistance is allocated to the industry hosting the firm that initially benefits from a program or measure. Where a number of firms, in different industries, initially benefit from a particular program or measure, the Commission seeks to apportion the assistance between those industries.

Thus, where a firm receives a direct payment or claims a tax concession the assistance is recorded against the ANZSIC industry grouping that the firm's principal activities belong to.

In cases where assistance is delivered via an intermediate organisation, such as Austrade export promotion services or CSIRO research, the initial benefiting industry is taken to be that in which the firms that utilise the services operate, for example, wheat research by CSIRO would be allocated as assistance to the wheat growing industry (part of the *Grain, sheep and beef cattle* ANZSIC industry grouping).

Similarly, a small business program that uses consultants to provide business planning or IT advice to farmers would be classified as benefiting the agricultural industries, not the business services or IT industry (that the consultant is part of).

The Commission includes in its assistance some programs where the initial recipients are consumers (rather than firms or intermediary bodies). In such cases, the assistance is classified to the industry providing the good or service to the consumer. For example, in the case of assistance paid to convert cars to LPG, assistance is deemed to accrue to the industry providing the conversion service.

Where the Commission cannot identify the initial beneficiary of a program, the assistance is recorded as 'unallocated'. That is, it is included in the aggregate estimates but not in the industry totals.

The IBI approach does not attempt to identify all of the beneficiaries of assistance, through flow-on effects. For example, budgetary assistance to the Australian film industry is allocated to the ANZSIC industry category of *Cultural & recreational services*. However, the benefits of this assistance could extend beyond this particular industry, say to *Construction services* in the case where film production requires these services as inputs. Further, an increase in demand for construction services may increase demand in the *Wood & paper products* industry, and so on.

- For programs that provide grants to industry and where the Commission has details on the individual grants, it uses this information to assign each grant to a particular industry. For example, the Department of Innovation, Industry, Science and Research publishes details of grant recipients for many of its administered programs. These details are used to determine which industries benefit from the program.
- Where data to indicate which industries benefit from a particular program is not available, the assistance given under that program has been recorded as

‘unallocated’. There are four ‘unallocated’ categories: one each for primary production, manufacturing and the services sectors (used when the initial benefitting sector can be identified but not the initial benefitting industry or industries within it), and an ‘unallocated other’ category for assistance that cannot be assigned to particular industries or sectors.[6] ‘Unallocated’ funding forms part of the Commission’s aggregate estimates of assistance.

Quantification

In quantifying the assistance provided each year by various budgetary measures, the Commission draws on the following sources:

- Australian Government budget papers;
- annual reports of government departments and agencies;
- the Australian Government Tax Expenditure Statement (TES);
- Australian Taxation Office taxation statistics; and
- other government department and agency publications and communications.

For programs which are funded jointly by industry and governments (such as rural R&D corporations), the estimates incorporate only the government contribution to programs’ funds. To simplify measurement, industries are generally assumed to benefit from assistance in the year that the outlay or transaction is reported in the budget papers, TES or other source documents.

Different levels of confidence are attached to the estimates of different forms of budgetary assistance:

- High confidence attaches to estimates of financial assistance provided directly to firms (DFA), which are reported in budget papers and other audited government documents.
- While there is equally high confidence in estimates of the size of outlays provided to intermediary institutions (FI), there is some uncertainty about the extent to which such assistance ultimately benefits industry. In counting the full outlay as assistance to the benefitting industry, it is assumed that the funded body operates efficiently and/or that the industry obtains benefits from the services equal to their cost of provision. To the extent that this is not the case, the estimates will either overstate or understate assistance to recipient industries.

6 For *Trade & Assistance Review 2008-09*, ‘unallocated other’ accounted for 4 per cent of total assistance, while the sector unallocated categories accounted for a further 9 per cent.

- Estimates of assistance from tax expenditure estimates (TE) are subject to more uncertainty than estimates of budget outlays, reflecting methodological and data issues entailed in the modelling that underpins the estimates (see Australian Government 2010, p.30).

3.3 Agricultural pricing and regulatory arrangements

The Commission's estimates of assistance afforded by agricultural pricing and regulatory arrangements historically have dominated total measured assistance to the agricultural sector.

From the 1980s, agricultural pricing and regulatory arrangements have been progressively discontinued and with the cessation of the Dairy Structural Adjustment Program in April 2008, all the assistance schemes previously included in the Commission's estimates have closed. The current 2004-05 estimates series (2003-04 to 2008-09) includes assistance arrangements for dairy, rice and sugar for the years in which the schemes operated.

Dairy

Prior to 2000-01, the dairy industry received assistance largely from a combination of State government price and regulatory controls, which maintained high prices for drinking milk, and Commonwealth Market Support Payments for milk used in manufacturing — for processing into products such as butter, cheese, milk powder and ice cream. These arrangements provided dairy farmers with assistance of around $450 million in 1999-2000.

These arrangements were terminated as part of the deregulation of the dairy industry in July 2000. As part of the deregulation process, the Australian Government introduced new arrangements to provide payments to dairy farmers — the Dairy Industry Adjustment Package (DIAP). These payments, which commenced on 1 July 2000, were to amount to around $1.8 billion over the 8 year life of the package.

The cost of the package was funded by an 11 cents per litre levy on retail sales of drinking milk. The levy remained in place as at August 2008. Further details of the adjustment package and milk levy were provided in *Trade & Assistance Review 2001-02*. The methodology for attributing assistance to the dairy industry from these new arrangements was set out in the Methodological Annex to the 2001-02 *Review*.

Dairy assistance accounted for between 5 and 18 per cent of total assistance to the primary sector over the period 2003-04 to 2007-08. Assistance of $0.2 million was recorded for 2008-09, the last year of the scheme.

Rice

The rice industry is centred in the Riverina in New South Wales and, prior to July 2006, was assisted through statutory marketing arrangements which allowed the NSW Rice Growers Co-operative to vest and market all rice grown in the state. This enabled the domestic price of rice to be maintained at higher levels than would prevail without the statutory marketing arrangement.

For the estimates of assistance to the rice industry for 2001-02 to 2005-06 the NSW Rice Growers Co-operative was assumed to increase domestic prices to import parity levels. Information on import parity price levels for the rice industry was derived from ABS merchandise trade import data. An estimate of assistance was then derived by multiplying the amount by which domestic prices were increased (import parity less export parity) by the value of domestic rice production consumed domestically. In 2005-06, assistance provided by the rice industry's statutory marketing arrangements was estimated to be $5.7 million.

Arrangements to deregulate the domestic rice market, through an 'authorised seller scheme', commenced on 1 July 2006. Reflecting this deregulation, the Commission's estimates for 2006-07 (as contained in the 2006-07 *Review*) did not include any assistance to the rice industry from domestic marketing arrangements. While a 'single desk' for rice exports has been retained, the rice industry is not assumed to gain any assistance from these arrangements as it is unlikely to have sufficient market power in global rice markets to achieve a price advantage or influence the price of rice on the export markets.

Sugar

In September 2002, the Australian Government announced a Sugar Industry Reform Package. The main elements of the package included a regional projects program, an interest rate subsidy scheme, an exit payment and short-term income support. The package was funded by a levy of 3 cents per kilogram on domestic sugar sales, including sales of imported sugar and sugar for retail sale, food services and food processing. Assistance derived from the package was around $18 million and $9 million in 2002-03 and 2003-04, respectively.

In April 2004, the Australian Government introduced an additional Sugar Industry Reform Program replacing the previous package, announced in 2002. This program, however, was only partly funded by the levy and from 2003-04 was included as part of budgetary assistance to industry, rather than as ‘agricultural pricing and regulatory support’ estimates.

Table 3.1 Australian Government budgetary assistance measures by activity, form and initial benefiting industry, 2008-09[a]

Activity targeted	*Form[b]*	*Initial benefiting industry*
Industry-specific measures		
ABC and SBS Digital Interference Scheme	BO	Communication services
Advanced electricity storage	BO	Unallocated manufacturing
Assistance to the vegetable industry	BO	Horticulture and fruit growing
Australian Animal Health Laboratory	BO	Unallocated primary production
Australia's Forest Industry - Preparing for the Future	BO	Wood and paper products
Automotive competitiveness and investment scheme	TE	Motor vehicles and parts
Automotive Industry Structural Adjustment Program	BO	Motor vehicles and parts
Automotive Supply Chain Development Program	BO	Motor vehicles and parts
Bass Straight Passenger Vehicle Equalisation	BO	Transport and storage
Brandy preferential excise rate	TE	Food, beverages and tobacco
Ethanol Distribution program	BO	Wholesale trade; and Retail trade
Ethanol production subsidy	BO	Petroleum, coal, chemical and associated products
Exemption of refundable film tax offset payments	TE	Cultural and recreational services
Exotic Disease Preparedness Program	BO	Unallocated primary production
Film industry division - 10B & 10BA	TE	Cultural and recreational services
Fisheries Structural Adjustment Package	BO	Fisheries
Greenhouse Gas Abatement Program	BO	Mining; Petroleum, coal, chemical and associated products; Metal products; Electricity, gas and water supply; and Retail trade
High Costs Claims scheme	BO	Finance and insurance
Howe leather – loans and repayments	BO	Textile, clothing, footwear and leather
Indigenous Broadcasting Program	BO	Unallocated other
Low Emission Technology Demonstration Fund	BO	Electricity, gas and water supply
LPG Vehicle Scheme	BO	Retail trade
National Livestock Identification System	BO	Grain, sheep and beef cattle farming
National Low Emissions Coal Initiative	BO	Mining
National Urban Water and Desalination Plan	BO	Unallocated other
Offshore Banking Unit tax concession	TE	Finance and insurance
Pharmaceuticals Partnerships Program	BO	Petroleum, coal, chemical and associated products; and Unallocated other
Premium Support scheme	BO	Health and community services
Refundable tax off-set for large scale film production	TE	Cultural and recreational services

(continued next page)

Table 3.1 **(continued)**

	Form[b]	*Initial benefiting industry*
Regional Equalisation Plan	TE	Communication services
Remote Renewable Power Generation program	BO	Electricity, gas and water supply
Renewable Energy Development Initiative	BO	Mining; Food, beverages and tobacco; Petroleum, coal, chemical and associated products; Non-metallic mineral products; Other machinery and equipment; Other manufacturing; Electricity, gas and water supply; Property and business services; Personal and other services; and Unallocated other
Screen Australia	BO	Cultural and recreational services
Solar Cities Initiative	BO	Property and business services
Sugar Industry Reform Program – 2004	BO	Other crop growing
Tasmanian Community Forest Agreement	BO	Wood and paper products
Tasmanian wheat freight subsidy	BO	Grain, sheep and beef cattle farming; Food, beverages and tobacco; and Unallocated other
Tax Deduction for horticultural plantations	TE	Horticulture and fruit growing
Tax deductions for grape vines	TE	Horticulture and fruit growing
TCF Product Diversification Scheme	TE	Textile, clothing, footwear and leather
TCF Small Business Program	BO	Textile, clothing, footwear and leather; and Property and business services
TCF Strategic Investment Program - Post 2005	BO	Textile, clothing, footwear and leather
TCF Structural Adjustment Scheme	BO	Textile, clothing, footwear and leather
Tobacco Grower Adjustment Assistance 2006	BO	Other crop growing
12-month prepayment rule (Prepayment rule for forestry managed investments)	TE	Forestry and logging
Sector-specific measures		
Capital expenditure deduction for mining, quarrying and petroleum operations	TE	Mining
Caring for Our Country – Landcare	BO	Unallocated primary production
Climate Change Adjustment Program	BO	Unallocated primary production
Drought assistance – Murray Darling Basin Grants to Irrigators	BO	Unallocated primary production
Drought assistance - Professional Advice	BO	Unallocated primary production
Drought assistance - Re-establishment Assistance	BO	Unallocated primary production

(continued next page)

Table 3.1 **(continued)**

	Form[b]	*Initial benefiting industry*
Exceptional Circumstances - interest rate subsidies	BO	Horticulture and fruit growing; Grain, sheep and beef cattle farming; Dairy cattle farming; Poultry farming; Other livestock farming; Other crop growing; Services to agriculture; Forestry and logging; Fisheries; and Unallocated primary production
Exceptional Circumstances - relief payments	BO	Horticulture and fruit growing; Grain, sheep and beef cattle farming; Dairy cattle farming; Poultry farming; Other livestock farming; Other crop growing; Fisheries; and Unallocated primary production
Farm Help	BO	Horticulture and fruit growing; Grain, sheep and beef cattle farming; Dairy cattle farming; Poultry farming; Other livestock farming; Other crop growing; Fisheries; and Unallocated primary production
Farm Management Deposits scheme	TE	Horticulture and fruit growing; Grain, sheep and beef cattle farming; Dairy cattle farming; Poultry farming; Other livestock farming; Other crop growing; Forestry and logging; and Fisheries
Income tax averaging provisions for primary producers	TE	Horticulture and fruit growing; Grain, sheep and beef cattle farming; Dairy cattle farming; Poultry farming; Other livestock farming; Other crop growing; Services to agriculture; Forestry and logging; and Fisheries
Advancing Agricultural Industries Program	BO	Horticulture and fruit growing; Grain, sheep and beef cattle farming; Poultry farming; Other livestock farming; Forestry and logging; Fisheries and Unallocated primary production
Interim Income Support (Exceptional Circumstances)	BO	Horticulture and fruit growing; Grain, sheep and beef cattle farming; Dairy cattle farming; Poultry farming; Other livestock farming; Other crop growing; Fisheries; and Unallocated primary production
Promoting Australian Produce Program	BO	Unallocated primary production
Rural Financial Counselling Service	BO	Horticulture and fruit growing; Grain, sheep and beef cattle farming; Dairy cattle farming; Poultry farming; Other livestock farming; Other crop growing; Forestry and logging; Fisheries; Unallocated primary production; and Food, beverages and tobacco
Sustainable Rural Water Use and Infrastructure Program	BO	Unallocated primary production

(continued next page)

Table 3.1 (continued)

	Form[b]	Initial benefiting industry
Tax deduction for conserving or conveying water	TE	Horticulture and fruit growing; Grain, sheep and beef cattle farming; Dairy cattle farming; Poultry farming; Other livestock farming; Other crop growing; Services to agriculture; Forestry and logging; and Fisheries
Rural R&D measures		
Climate Change Adaption Partnerships Program	BO	Unallocated primary production
Climate Change and Productivity Research Program	BO	Unallocated primary production
Cotton Research and Development Corporation	BO	Other crop growing
Dairy Australia – Research and Development	BO	Dairy cattle farming
Australian Egg Corporation Limited – Research and Development	BO	Poultry farming
Fisheries Research and Development Corporation	BO	Fisheries
Fisheries Research Program	BO	Fisheries
Fisheries Resources Research Fund	BO	Fisheries
Forest and Wood Products Research and Development Corporation	BO	Forestry and logging; and Wood and paper products
Grains Research and Development Corporation	BO	Grain, sheep and beef cattle farming
Grape and Wine Research and Development Corporation	BO	Horticulture and fruit growing
Horticulture Australia Limited – Research and Development	BO	Horticulture and fruit growing
Land and Water Australia – Research and Development	BO	Unallocated primary production
Meat and Livestock Australia – Research and Development	BO	Grain, sheep and beef cattle farming
National Weeds and Productivity Research Program	BO	Unallocated primary production
Australian Pork Limited – Research and Development	BO	Other livestock farming
Rural Industries Research and Development Corporation	BO	Horticulture and fruit growing; Grain, sheep and beef cattle farming; Poultry farming; Other livestock farming; Other crop growing; Forestry and logging; and Unallocated primary production
Sugar Research and Development Corporation	BO	Other crop growing
Torres Strait Prawn Fisheries Program	BO	Fisheries
Australian Wool Innovation Limited – Research and Development	BO	Grain, sheep and beef cattle farming

(continued next page)

Table 3.1 **(continued)**

	Form[b]	Initial benefiting industry
General export measures		
Austrade	BO	Unallocated other
Duty Drawback	TE	Unallocated manufacturing
EFIC national interest business	BO	Grain, sheep and beef cattle farming; and Unallocated other
Export Market Development Grants scheme	BO	Horticulture and fruit growing; Grain, sheep and beef cattle farming; Poultry farming; Other livestock farming; Other crop growing; Services to agriculture; Forestry and logging; Fisheries; Mining; Food, beverages and tobacco; Textile, clothing, footwear and leather; Wood and paper products; Printing, publishing and recorded media; Petroleum, coal, chemical and associated products; Non-metallic mineral products; Metal products; Motor vehicles and parts; Other transport equipment; Other machinery and equipment; Other manufacturing; Electricity, gas and water supply; Construction; Wholesale trade; Retail trade; Accommodation, cafes and restaurants; Transport and storage; Communication services; Finance and insurance; Property and business services; Government administration and defence; Education; Health and community services; Cultural and recreational services; and Personal and other services
Tourism Australia	BO	Unallocated services
TRADEX	TE	Dairy cattle farming; Services to agriculture; Fisheries; Mining; Food, beverages and tobacco; Textile, clothing, footwear and leather; Wood and paper products; Printing, publishing and recorded media; Petroleum, coal, chemical and associated products; Non-metallic mineral products; Metal products; Motor vehicles and parts; Other transport equipment; Other machinery and equipment; Other manufacturing; Electricity, gas and water supply; Construction; Wholesale trade; Retail trade; Transport and storage; Finance and insurance; Property and business services; Government administration and defence; Health and community services; Cultural and recreational services; and Unallocated other

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Table 3.1 **(continued)**

	Form[b]	*Initial benefiting industry*
General investment measures		
Infrastructure Bonds scheme	TE	Electricity, gas and water supply; Transport and storage
Land transport infrastructure borrowing's tax offsets scheme	TE	Transport and storage; and Finance and insurance
Regional headquarters program	TE	Unallocated other
General R&D measures		
Commercialising Emerging Technologies (COMET program)	BO	Horticulture and fruit growing; Grain, sheep and beef cattle farming; Other crop growing; Services to agriculture; Mining; Food, beverages and tobacco; Textile, clothing, footwear and leather; Wood and paper products; Printing, publishing and recorded media; Petroleum, coal, chemical and associated products; Non-metallic mineral products; Metal products; Motor vehicles and parts; Other transport equipment; Other machinery and equipment; Other manufacturing; Electricity, gas and water supply; Construction; Wholesale trade; Retail trade; Transport and storage; Communication services; Finance and insurance; Property and business services; Government administration and defence; Education; Health and community services; Cultural and recreational services; Personal and other services; and Unallocated other
Commercial Ready program	BO	Horticulture and fruit growing; Services to agriculture; Forestry and logging; Fisheries; Mining; Food, beverages and tobacco; Textile, clothing, footwear and leather; Wood and paper products; Printing, publishing and recorded media; Petroleum, coal, chemical and associated products; Non-metallic mineral products; Metal products; Motor vehicles and parts; Other transport equipment; Other machinery and equipment; Other manufacturing; Electricity, gas and water supply; Construction; Wholesale trade; Retail trade; Communication services; Finance and insurance; Property and business services; Education; Health and community services; Personal and other services; and Unallocated other

(continued next page)

Table 3.1 **(continued)**

	Form[b]	*Initial benefiting industry*
Cooperative Research Centres	BO	Grain, sheep and beef cattle farming; Poultry farming; Other livestock farming; Other crop growing; Forestry and logging; Fisheries; Unallocated primary production; Mining; Food, beverages and tobacco; Petroleum, coal, chemical and associated products; Metal products; Motor vehicles and parts; Other transport equipment; Other machinery and equipment; Other manufacturing; Unallocated manufacturing; Communication services; Property and business services; Health and community services; and Cultural and recreational services
CSIRO research	BO	Horticulture and fruit growing; Grain, sheep and beef cattle farming; Dairy cattle farming; Poultry farming; Other livestock farming; Other crop growing; Forestry and logging; Fisheries; Unallocated primary production; Mining; Food, beverages and tobacco; Textile, clothing, footwear and leather; Wood and paper products; Printing, publishing and recorded media; Petroleum, coal, chemical and associated products; Non-metallic mineral products; Metal products; Motor vehicles and parts; Other transport equipment; Other machinery and equipment; Unallocated manufacturing; Electricity, gas and water supply; Construction; Transport and storage; Communication services; Finance and insurance; Property and business services; Government administration and defence; Education; Health and community services; Cultural and recreational services; Personal and other services; and Unallocated services
Energy Innovation Fund	BO	Unallocated manufacturing
ICT Centre of Excellence	BO	Communication services
Innovation Investment Fund	BO	Mining; Other transport equipment; Other machinery and equipment; Finance and insurance; Property and business services; Health and community services; and Unallocated other
National Stem Cell Centre	BO	Petroleum, coal, chemical and associated products
New Industries Development program	BO	Horticulture and fruit growing; Grain, sheep and beef cattle farming; Dairy cattle farming; Poultry farming; Other livestock farming; Other crop growing; Fisheries; Mining; Food, beverages and tobacco; Petroleum, coal, chemical and associated products; and Other machinery and equipment

(continued next page)

Table 3.1 **(continued)**

	Form[b]	*Initial benefiting industry*
Premium R&D tax concession	TE	Fisheries; Mining; Food, beverages and tobacco; Textile, clothing, footwear and leather; Wood and paper products; Printing, publishing and recorded media; Petroleum, coal, chemical and associated products; Non-metallic mineral products; Metal products; Motor vehicles and parts; Other transport equipment; Other machinery and equipment; Other manufacturing; Electricity, gas and water supply; Construction; Wholesale trade; Retail trade; Transport and storage; Communication services; Finance and insurance; Property and business services; Education; Health and community services; Personal and other services; and Unallocated other
Pre-seed Fund	BO	Motor vehicles and parts; Other machinery and equipment; Communication services; Property and business services; Health and community services; and Unallocated other
R&D Start	BO	Mining; Food, beverages and tobacco; Petroleum, coal, chemical and associated products; Non-metallic mineral products; Motor vehicles and parts; Other machinery and equipment; Other manufacturing; Construction; and Property and business services
R&D tax concession	TE	Horticulture and fruit growing; Grain, sheep and beef cattle farming; Services to agriculture; Forestry and logging; Fisheries; Mining; Food, beverages and tobacco; Textile, clothing, footwear and leather; Wood and paper products; Printing, publishing and recorded media; Petroleum, coal, chemical and associated products; Non-metallic mineral products; Metal products; Motor vehicles and parts; Other transport equipment; Other machinery and equipment; Other manufacturing; Electricity, gas and water supply; Construction; Wholesale trade; Retail trade; Accommodation, cafes and restaurants; Transport and storage; Communication services; Finance and insurance; Property and business services; Government administration and defence; Education; Health and community services; Cultural and recreational services; Personal and other services; and Unallocated other

(continued next page)

Table 3.1 **(continued)**

	Form[b]	*Initial benefiting industry*
R&D tax offset for small companies	BO	Horticulture and fruit growing; Grain, sheep and beef cattle farming; Services to agriculture; Forestry and logging; Fisheries; Mining; Food, beverages and tobacco; Textile, clothing, footwear and leather; Wood and paper products; Printing, publishing and recorded media; Petroleum, coal, chemical and associated products; Non-metallic mineral products; Metal products; Motor vehicles and parts; Other transport equipment; Other machinery and equipment; Other manufacturing; Electricity, gas and water supply; Construction; Wholesale trade; Retail trade; Accommodation, cafes and restaurants; Transport and storage; Communication services; Finance and insurance; Property and business services; Education; Health and community services; Cultural and recreational services; Personal and other services; and Unallocated other
R&D tax offset payments (exemption)	TE	Unallocated other
Other measures		
Australian Made Campaign – Export Marketing Strategy	BO	Unallocated other
Australian Tourism Development Program	BO	Construction; Retail trade; Property and business services; Government administration and defence; Cultural and recreational services; Personal and other services; and Unallocated services
Early Stage Venture Capital Limited Partnerships Program	TE	Finance and insurance
Enterprise Connect Innovation Centres	BO	Unallocated other
Geelong Innovation and Investment Fund	BO	Unallocated other
Indigenous Tourism Business Ready Program	BO	Property and business services; Education; and Unallocated services
Industry Cooperative Innovation Program	BO	Fisheries; Other transport equipment; Electricity, gas and water supply; Transport and storage; Communication services; Finance and insurance; Property and business services; Health and community services; and Personal and other services
Innovation Investment Fund for South Australia	BO	Mining; Food, beverages and tobacco; Metal products; Other machinery and equipment; Unallocated manufacturing; Electricity, gas and water supply; Communication services; Property and business services; and Unallocated other

(continued next page)

Table 3.1 **(continued)**

	Form[b]	*Initial benefiting industry*
Low Emissions Technology and Abatement Program	BO	Unallocated other
Pooled Development Funds	TE	Finance and insurance
Queensland Tourism Assistance Package	BO	Unallocated services
Regional Partnerships Program	BO	Unallocated other
Scottsdale Industry and Community Development Fund	BO	Horticulture and fruit growing; Dairy cattle farming; Forestry and logging; Wood and paper products; Petroleum, coal, chemical and associated products; and Other transport equipment
Small Business Advisory Services Program	BO	Unallocated other
Small business capital gains tax 50 percent reduction	TE	Horticulture and fruit growing; and Grain, sheep and beef cattle farming; Services to agriculture; Fisheries; Mining; Food, beverages and tobacco; Textile, clothing, footwear and leather; Wood and paper products; Printing, publishing and recorded media; Petroleum, coal, chemical and associated products; Non-metallic mineral products; Metal products; Motor vehicles and parts; Other transport equipment; Other machinery and equipment; Other manufacturing; Electricity, gas and water supply; Construction; Wholesale trade; Retail trade; Accommodation, cafes and restaurants; Transport and storage; Communication services; Finance and insurance; Property and business services; Government administration and defence; Education; Health and community services; Cultural and recreational services; Personal and other services; and Unallocated other
Small business capital gains tax exemption for assets held for more than 15 years	TE	Grain, sheep and beef cattle farming; Other crop growing; Metal products; Other machinery and equipment; Wholesale trade; Retail trade; Accommodation, cafes and restaurants; Transport and storage; Finance and insurance; Property and business services; Health and community services; Personal and other services; and Unallocated other

(continued next page)

Table 3.1 **(continued)**

	Form[b]	*Initial benefiting industry*
Small business capital gains tax retirement exemption	TE	Horticulture and fruit growing; Grain, sheep and beef cattle farming; Other crop growing; Fisheries; Mining; Food, beverages and tobacco; Textile, clothing, footwear and leather; Printing, publishing and recorded media; Petroleum, coal, chemical and associated products; Non-metallic mineral products; Metal products; Other machinery and equipment; Other manufacturing; Electricity, gas and water supply; Construction; Wholesale trade; Retail trade; Accommodation, cafes and restaurants; Transport and storage; Communication services; Finance and insurance; Property and business services; Government administration and defence; Education; Health and community services; Cultural and recreational services; Personal and other services; and Unallocated other
Small business capital gains tax rollover relief	TE	Grain, sheep and beef cattle farming; Food, beverages and tobacco; Construction; Wholesale trade; Retail trade; Accommodation, cafes and restaurants; Transport and storage; Finance and insurance; Property and business services; Health and community services; Cultural and recreational services; Personal and other services; and Unallocated other
Small Business Program	BO	Construction; Property and business services; Government administration and defence; Education; Health and community services; Cultural and recreational services; Personal and other services; and Unallocated other
South Australia Innovation and Investment Fund and Labour Assistance Package	BO	Unallocated other
Structural Adjustment Fund for South Australia	BO	Other manufacturing; Unallocated manufacturing; and Education
Sustainable Regions Programs	BO	Unallocated other
Tasmanian Forest Tourism Initiative	BO	Unallocated services
Tasmanian Freight Equalisation Scheme	BO	Unallocated primary production; Food, beverages and tobacco; Textile, clothing, footwear and leather; Wood and paper products; Metal products; Other manufacturing; Unallocated manufacturing; and Unallocated other
Taxation assistance for victims of Australian natural disasters	TE	Unallocated other
TCF corporate wear program	TE	Unallocated other
Venture Capital Limited Partnerships	TE	Finance and insurance

(continued next page)

Table 3.1 **(continued)**

	Form[b]	*Initial benefiting industry*
25 per cent entrepreneurs' tax offset	TE	Horticulture and fruit growing; Grain, sheep and beef cattle farming; Dairy cattle farming; Poultry farming; Other livestock farming; Other crop growing; Services to agriculture; Forestry and logging; Fisheries; Mining; Food, beverages and tobacco; Textile, clothing, footwear and leather; Wood and paper products; Printing, publishing and recorded media; Petroleum, coal, chemical and associated products; Non-metallic mineral products; Metal products; Motor vehicles and parts; Other transport equipment; Other machinery and equipment; Other manufacturing; Electricity, gas and water supply; Construction; Wholesale trade; Retail trade; Accommodation, cafes and restaurants; Transport and storage; Communication services; Finance and insurance; Property and business services; Government administration and defence; Education; Health and community services; Cultural and recreational services; Personal and other services; and Unallocated other

a Programs included in the budgetary assistance estimates published in the *Trade & Assistance Review 2008-09*. **b** BO: budgetary outlays, TE: tax expenditures.

Source: Commission estimates.

4 Combined assistance estimates: derivation and interpretation

As well as publishing separate estimates of assistance from tariffs, budgetary and agricultural pricing and regulatory measures, the Commission also calculates 'combined' estimates of these different categories. The Commission calculates summary measures of 'combined' assistance and estimates of effective assistance to industry, each highlighting different aspects of the assistance structure and its effects (chapter 2).

The calculation of effective assistance is based on a number of simplifying assumptions (box 4.1). This chapter outlines how measures of effective assistance are derived and their interpretation.

Box 4.1 Assistance framework: key simplifying assumptions

The analytical framework used for the Commission's assistance measures is static and partial equilibrium in nature. The main simplifying assumptions underlying the application of the framework are:

- Perfect substitution between domestic and foreign goods of the same description.
- The 'small country' assumption, whereby Australia does not influence the world price of its imports or exports (i.e. the terms of trade are assumed to be exogenous).
- No substitution between nominally different goods.
- Infinite elasticities of export demand and import supply.
- The prices of goods, services, and resources represent their opportunity cost to the community in the absence of assistance.
- The direction of trade in the absence of assistance can be assessed, with import parity prices forming the benchmark for goods assessed to be import-competing and export-parity prices for export goods.
- Production relationships between inputs are unaltered by the assistance structure.
- Constant returns to scale.

A detailed discussion of the framework is provided in the Commission's 1995 paper: *Assistance to agricultural and manufacturing industries* (IC 1995a).

4.1 Deriving the combined estimates of assistance

As indicated in chapter 3, four key forms of assistance are covered in the Commission's annual estimates, namely, tariff assistance, budgetary outlays, taxation concessions, and agricultural pricing and regulatory arrangements. These forms of assistance are combined in two summary measures:

- Gross combined assistance which includes assistance to output and value adding factors afforded by tariff output assistance, budgetary outlays, taxation concessions and agricultural pricing arrangements; and
- Net combined assistance which is equal to gross combined assistance less the cost impost to industry of tariff assistance on inputs.

These summary measures highlight the overall level of assistance, in dollar terms, available to industry.

GSE, TEM and NSE estimates

In order to estimate effective rates of assistance, the dollar value of estimates of assistance from tariffs, budgetary outlays, taxation concessions, and agricultural pricing and regulatory arrangements (as described in chapter 3) is first classified into one of three categories:

- output assistance;
- input assistance; and
- assistance to value-adding factors.

Output and input assistance (negative assistance) is afforded mainly through customs tariffs and tariff concessions, although some budgetary measures such as production subsidies and export assistance are also classified as output or input assistance, as appropriate. Assistance to value adding factors is afforded through budgetary outlays and taxation concessions.

The components of output assistance, input assistance and assistance to value adding factors are aggregated to provide dollar estimates of the combined 'gross subsidy equivalent' (GSE), 'tax equivalent on materials' (TEM) and 'net subsidy equivalent' (NSE), respectively. Under the assumptions of the assistance framework, the summary measure *net combined assistance* represents the net subsidy equivalent of assistance.

As the budgetary assistance estimates are recorded in current year dollars while estimates of tariff assistance are based on ABS input-output data for 2003-04, the latter are revalued to current dollars using ABS data on Gross Value Added (GVA) at current prices. Although there are periodic revisions to ABS GVA data, such revisions typically do not affect year-to-year comparisons of the assistance estimates.

Nominal and effective rates

The combined GSE, TEM and NSE estimates are used, together with ABS input-output data, to estimate nominal and effective rates of assistance for industry groups within the traded-goods sectors — agriculture, mining and manufacturing. Estimates of effective rates of assistance are not estimated for services activities for the *Trade & Assistance Review*.

The *nominal rate of assistance on outputs* is calculated as output assistance, or the GSE, divided by *the 'unassisted' value of output* (UVO). The UVO is equal to the *'assisted' value of output* (AVO) less the GSE. Some forms of assistance (such as tariffs, import quotas and, in some years, domestic pricing arrangements) increase producers' returns by raising prices (called the price distortion) while other forms of assistance (such as production bounties) raise producers' returns without increasing prices paid by user industries. The nominal rate of assistance on outputs, therefore, measures the extent to which consumers pay higher prices and taxpayers pay subsidies and bounties in support of local output.

The *nominal rate of assistance on 'materials'* (NRM) is a measure of the extent to which prices paid for materials (intermediate inputs) used in the production process change due to government intervention. For example, tariffs on intermediate inputs penalise user industries by raising prices, while consumption subsidies benefit user industries through lowering prices. Unlike the nominal rate of assistance on outputs, the nominal rate on inputs excludes those forms of assistance (eg production bounties) which benefit the production of intermediate inputs without affecting prices paid by user industries. The NRM is defined as input assistance, or the TEM, divided by the *'unassisted' value of materials* — which is derived in a similar manner to the AVO.

The *effective rate of assistance* (ERA) measures net assistance to an activity's value-adding activities, by taking into account not only output assistance and direct assistance to value-adding factors (eg subsidised interest charges and income tax concessions), but also the penalties (eg from tariffs and excise taxes) and benefits (eg from input subsidies) of government intervention on inputs. The ERA is calculated as the NSE divided by unassisted value added (UVA), expressed as a percentage.

Treatment of service inputs in calculating value added

One issue that arises in calculating (unassisted) value added — the denominator in the effective rate of assistance estimate for agricultural and manufacturing industries — is the treatment of 'service' inputs. Such service inputs fall outside the ambit of merchandise trade in foreign trade statistics and are deemed 'non-material' and not 'directly traded'.[1] There are two basic approaches to the treatment of service inputs in effective rate calculations.

- One approach — termed after its originator — is the 'Cordon method'. This approach, adds the cost of service inputs (other than electricity, gas and water)[2] into the value added bases of the agricultural or manufacturing industry. The simplifying assumption is that service inputs (such as accounting) are primarily produced by value adding factors (accountants).
- The other approach — the 'Balassa method' — treats the service inputs as 'traded' inputs, under the assumption that they are supplied at constant costs. That is, the cost of service inputs is treated as a merchandise input (as with flour into bread making).

The difference between the approaches is that the Corden method calculates larger value added for agriculture and manufacturing. Consequently, the effective rate of assistance, for a given level of tariff and budgetary assistance, would be lower under the Corden method than the Balassa method.

Prior to 2001-02, the Commission's effective rate estimates for manufacturing used a modified-Corden method for calculating the value added base — it included, some but not all, service inputs.[3] At the same time, the estimates for the agricultural sector used the Balassa method. A more detailed description of the treatment of service inputs in value added calculations is available in the Industry Commission's 1995 paper *Assistance to agricultural and manufacturing industries*. Beginning with 2001-02 estimates (and since), the Commission has adopted the Corden method for all manufacturing and agricultural industries.

Estimates of the effective rate of assistance are reported in the *Trade & Assistance Review.* As indicated, these estimates reflect the impact of assistance to outputs, inputs and value adding factors. Because of the decline in importance of assistance

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1 The term *non-traded non-material (NTNM)* inputs is the technical expression commonly used in methodology papers.

2 Electricity, gas and water are classified as 'traded' in merchandise trade statistics and therefore the Commission treats them as 'material' costs.

3 The manufacturing cost structure for the effective rates was based on the manufacturing census (not the input-output tables). The definition of 'inputs' and ' services' used in the manufacturing census differed from the definitions/classifications in the input-output tables.

to outputs and inputs, relative to assistance to value adding factors, the nominal rate of assistance to outputs and inputs, respectively, are not separately reported.

4.2 Interpreting the estimates

The Commission's estimates of government assistance to industry are intended to aid transparency and facilitate analysis of various matters related to the assistance structure, including:

- the transfers to different groups within the community consequent upon particular government interventions;
- the effects of assistance on resource allocation within the economy; and
- the merits of the relevant government interventions.

However, the estimates themselves only provide a partial guide to these matters and must be interpreted carefully. Guidance on the interpretation of the estimates, including the key qualifications, is set out below.

Transfers

Assistance estimates help to reveal who gains and who loses from industry assistance, and the extent of those gains and losses. The NSE (that is, net combined assistance), in particular, is a dollar estimate of the net effects of the assistance measures covered by the estimates on returns to an industry — that is, it provides an indication of the transfers of income to producers from consumers, taxpayers and intermediate suppliers consequent upon the assistance structure.

However, as noted, the assistance estimates are based on a 'static' model. Thus, they focus on the initial impact of assistance on different industries. They do not explicitly take account of:

- changes in production and consumption patterns in response to the changes in incentives caused by assistance; or
- any flow-on changes to broader economic variables, such as exchange rates, interest rates, inflation and so on.

In practice, the provision of assistance is likely to induce a range of responses from consumers and producers, as well as having flow-on effects. These effects will in general attenuate the ultimate 'value' of assistance to the initial benefiting industry (see box 4.2).

It should also be noted that estimates of transfers do not indicate the overall 'welfare' costs to the community arising from those transfers as they do not capture the producer and consumer responses to assistance.

Resource allocation

The estimates also provide a broad indication of the resource allocation effects of the assistance measures covered. The ERA is particularly useful as it provides a single indicator of the net incentive effect of the many different forms of assistance. Benefits of the ERA as an indicator are that it can:

- include most forms of barrier and non-barrier assistance to industries;
- include both the benefits and costs of assistance to individual industries;
- provide an indicator of the extent to which the overall structure of assistance advantages or disadvantages an industry relative to other industries; and
- provide a consistent measure across the traded-goods sectors of the economy, and over time.

Notwithstanding the estimates' value as indicators of the distortionary effects of government intervention, particular care is required in drawing inferences for resource allocation given the 'static' nature of the underlying model. This aspect of the model means that only the initial effects of assistance are captured; the responses of producers and consumers to the incentives created by the provision of assistance are not (see box 4.2).

An evaluation of the impact of such variations in the incentives environment, on the allocation of the community's resources, goes well beyond the scope of the effective rate measure. Impact analyses require account to be taken of the manner in which assistance alters production and consumption decisions. For example, some forms of assistance involve limitations on levels of output and/or entry to particular activities. In these cases, regulation and control of an activity may mean that, although there are substantial income transfers to incumbent producers, the extent to which assistance enables the activity to expand is limited. (Such effects would more properly be taken into account using computable general equilibrium models, such as the MONASH suite of models developed by the Centre for Policy Studies, Monash University.)

Box 4.2 **Production and consumption responses to assistance: an illustration of grapes and oranges**

To understand how assistance can change production and consumption patterns, consider a *highly simplified* situation in which some farmers in an area grow grapes and some grow oranges, and returns in these two industries are about the same – say around a 6 per cent return on investment. All grapes and oranges grown in this economy are consumed in it too, with no imports or exports.

If a subsidy is provided to producers of oranges such that returns on investment increase, say to 12 per cent, existing orange farmers will receive the full value of this windfall gain on the introduction of the subsidy. (It is this 'first round' effect that is captured in the Commission's assistance estimates.)

However, over time, some grape farmers are likely to start switching to growing oranges (and existing orange farmers, or other investors, may bring more land into production). This will cause the supply of oranges to increase and, to clear their stock, producers will need to cut the price. As the price falls, consumers will start buying more oranges, but returns to the orange industry will fall.

Meanwhile, in the grape industry, supply is declining putting upward pressure on the price. As the price increases, consumers cut back their purchases of grapes, but the returns to grape growing increase.

However, as long as the returns to orange production exceed the returns to grape growing, farmers have a continuing incentive to switch from grapes into oranges. This will go on until the returns in both industries are around the same – say at 9 per cent return on investment.

Another factor though is that, to finance the subsidy for orange producers, the government needs to raise extra revenue (through higher taxes or higher charges for services it provides), cut its spending, or incur a higher budget deficit or lower surplus. Say it raised more revenue through a tax on fuel (although either of the other options would have similar ultimate effects). This would increase orange and grape growers' fuel bills and further reduce, although only slightly, the returns in those industries. It would also reduce the returns to other industries which rely on fuel to produce their output, particularly energy-intensive industries. And because householders would have to pay slightly higher fuel bills, they would have slightly less left to spend on other goods and services.

With other industries facing slightly higher fuel bills and slightly lower demand for their products, some 'borderline' businesses in these industries may need to close or reduce their production (unless they are able to make offsetting gains in productivity).

Overall, the effect of providing assistance in this illustration is to cause more oranges to be produced, mainly at the expense of a cut in the production of grapes, and for production in other industries to fall slightly (without productivity improvements). Consumers finish up eating more fruit (but a different mix thereof) and consuming less of other products.

While in practice the world is far more complex than this highly simplified illustration, it nevertheless, provides an indication of the nature of some of the effects that can flow from the provision of assistance to industry.

In drawing inferences about resource allocation consequent upon the assistance structure, care is also required to reflect the incomplete coverage of the estimates. In particular:

- As noted, ERAs are calculated only for industries in the traded goods sectors — primary production, manufacturing and mining. ERAs are not estimated for services.
- The forms of assistance covered in the 'combined' estimates for the mining, fisheries and forestry industries play a relatively minor role in these industries relative to other government measures. Specifically, for the mining industry, environmental regulation, prescribed royalty levels and accelerated depreciation provisions are important, and native title legislation can also affect land access and tenure. The key government measures affecting forestry and fisheries include those relating to resource management issues, such as the pricing of forests and the use of measures such as quotas and licenses to control harvesting rates to protect the resource stock. The assistance implications of these measures, whether positive or negative, are not captured in the estimates.
- While the Commission's measures of assistance to agriculture and manufacturing are more comprehensive, they do not incorporate all forms of intervention which discriminate between these industries and sectors (for example, quarantine restrictions). While assessments of the resource allocation effects of a subset of government interventions may be of interest — for instance, where the subset is deemed to not address market failure (see below) — the implications of the incomplete coverage of the estimates should be considered.

In making comparisons of sectoral levels of assistance, it should also be recognised that such comparisons may conceal substantial differences in assistance levels between activities in each sector. Following widespread general tariff reductions and the discontinuation of agricultural pricing and regulatory arrangements, assistance to agriculture and manufacturing is now low by historical standards. Nevertheless, within the sectors, some activities receive relatively high assistance to outputs, particularly the TCF and PMV industries, although output assistance to these areas has declined and is scheduled to decline further.

There can also be significant variations in assistance between firms within a sector or industry grouping. Indeed, many firms do not make any use of government programs. For example, a study by Commission staff (Revesz and Lattimore 2001) found that the use of R&D and certain export programs between 1994 and 1998 ranged from 2 to 23 per cent of firms in the targeted activities.

Policy evaluation

As noted earlier, industry assistance has a range of benefits and costs:

- Assistance generally benefits the firms and workers in industries that receive it. For example, firms protected by tariffs levied on competing imports are generally able to sustain higher prices on the domestic market than they otherwise could. Also, direct business subsidies increase returns to recipient firms and industries. Thus, assistance can allow the targeted firms to earn higher profits, pay higher wages and/or expand output and employment.
- Assistance often comes at a cost to firms and workers in other sectors of the economy, and/or to taxpayers. For example, to fund business subsidies, governments must increase taxes and charges, cut back on other spending, or borrow additional funds. Similarly, while tariffs provide some price support to domestic producers, they result in higher costs to local businesses (for their inputs) and higher prices for consumers, who then have less money to spend on other goods and services. Assistance can also lead to inefficiency by some firms in their use of materials, and labour and capital resources.

Whether the benefits from particular assistance measures are sufficient to outweigh the costs depends on whether the measure in question addresses a 'market failure' (such as spillovers or information gaps) or other distortions and is efficient in doing so. Where this is not the case, and an industry or activity is found to receive more assistance than other industries or activities, particularly those with which it competes for economic resources, there is potential to improve overall economic efficiency and welfare through reductions in assistance, particularly, to the more highly assisted activity or industry.

Traditionally, much of the industry assistance captured in the Commission's assistance estimates derived from instruments, such as tariffs and agricultural market arrangements that restricted competition, were difficult to justify on economic efficiency grounds. Thus, the finding that a particular industry received significantly more assistance from these arrangements than other industries or activities provided a strong prima facie case for reducing that assistance.

Over time, however, measured assistance to manufacturing and agriculture from tariffs, and from restrictive marketing arrangements, has declined significantly, while there has been an increase in other forms of assistance, particularly budgetary assistance, reflected in the Commission's assistance estimates.

Some of these other forms of assistance apply to activities, such as R&D and activities with environmental effects, in which market failure are assessed to be evident. This suggests that some forms of this assistance may be justified on economic efficiency and welfare grounds. For example, up to some point, support for R&D may counteract the ‘free-rider’ problem which might otherwise cause insufficient R&D to be undertaken (see IC 1995b, PC 2007a). While analysis would be needed to ensure that these policies represent the most efficient way of dealing with R&D, government assistance measures of this nature can potentially deliver net community benefits.

Accordingly, while the finding that a particular measure generates high levels of assistance, or that a particular activity or industry receives high levels of assistance relative to competing activities or industries, may suggest that the merits of the assistance warrant careful consideration, it does not necessarily establish a prima facie case for reducing or removing that assistance.

5 Recent changes to the Commission's assistance measurement system

For the 2004-05 series of assistance estimates, as first published in *Trade & Assistance Review 2008-09*, the Commission made changes to the data and methodology that underpinned the previous 2001-02 series. The following are discussed below:

- using the 2004-05 ABS Input-Output data as the basis;
- improving the internal consistency of the industries specified in the ABS 2004-05 Input-Output tables;
- using ABS trade data for 2004-05 as the basis;
- setting tariff rates for service industry groupings to zero; and
- updating the coverage and classification of programs included in budgetary assistance to take account of new programs and newly available disaggregated data by industry.

5.1 Updating the underlying input-output structure to the ABS 2004-05 series

The calculation of effective rates of (tariff) assistance requires data on industry inputs, or ‘cost structures’.

Over the years, the Commission has obtained cost structures data from the following sources:

- For the manufacturing estimates, prior to 2000, ABS manufacturing census data was used to derive measures of inputs and outputs. This changed for *Trade & Assistance Review 1999-2000* and *Trade & Assistance Review 2000-01* when ABS Input-Output cost-structure data, for 1994-95, were adopted. The Input-Output data were next updated, to 1996-97, for the manufacturing estimates published in *Trade & Assistance Review 2001-02*. The ABS data were also adjusted to incorporate the Commission’s preferred treatment of transport margins — see Methodological Annex A to that Review. Subsequently, the input-output benchmark for the assistance estimates was updated in 2001-02. The new series was first published in the *Trade & Assistance Review 2005-06* (PC 2007b). In adopting the 2001-02 input-output tables, the Commission reclassified manufacturing work undertaken by wholesale and retail service industries to the manufacturing sector so as to maintain comparability with the previous series of estimates (see the Methodological Annex to the *Trade & Assistance Review 2005-06* and *2006-07*).

- In the case of agriculture, prior to 2001 a combination of ABARE farm survey and ABS agricultural finance survey and commodities data were used to derive measures of inputs and outputs by agricultural commodity. For the '1996-97 series' introduced in *Trade & Assistance Review 2001-02*, the Commission adopted a cost-structure for agriculture based on the average of four years Input-Output data: 1992-93, 1993-94, 1994-95 and 1996-97. Multiple years were selected in order to reduce the impact of the often cyclical nature of agricultural production. This approach, however, subsequently ceased (beginning with the '2001-02' series of assistance estimates, where only a single year was selected. The Commission had found that estimates for the 2001-02 (and 2004-05) series using a single year of agricultural data were not significantly different to those based on an average of a number of years.

Both the agriculture and manufacturing assistance estimates are now based on (the same) ABS Input-Output data.

5.2 Modifications to ABS Input-Output data

Some methodological changes in the way the ABS Input-Output tables are constructed have reduced their usefulness for estimating effective rates of assistance (Gretton 2005). These methodological changes are primarily the consequence of the ABS collecting statistical data at a higher level of aggregation that prevents it from separating industries out into more homogeneous activities, something which the ABS did previously.[1] As a consequence of this failure to separate industries out into more homogeneous activities, the amount of 'off-diagonal production' of commodities that are predominately produced by other industries, increased materially from 1996-97.[2] In the input-output tables each industry produces a 'predominant' commodity, but often also some 'additional' commodities. For

1 The ABS previously collected at the establishment, rather than enterprise, level.

2 The published 2004-05 ABS Input-Output series consists of 109 industry groups (the Input-Output Industry Group (IOIG) classification) and 109 product or commodity groups (the Input-Output Product Group (IOPG) classification).

example, medicinal and pharmaceutical products are produced mainly by the *medicinal and pharmaceutical products* industry but some are also produced in the *paper containers and products* industry. Similarly, the *clothing* industry is recorded as producing some plastic products besides its predominant clothing commodity.

The ABS made adjustments to earlier input-output tables to improve the homogeneity of industries. However, these adjustments have largely been discontinued in more recent editions of the input-output tables. More specifically, the ABS have discontinued:

- the practice of 'grossing-up' (adjusting of) manufacturing work done undertaken by other industries on a commission or fee-for-service basis — as commission work involves one industry (such as wholesale or retail trade) engaging another industry (usually a manufacturing industry) to produce output on its behalf (frequently using inputs supplied by the commissioning industry) — whereby the commissioned output is reclassified from the commissioning industry to the producing industry.
- the practice of 're-defining' secondary production — whereby secondary production is 'returned' to the *industry* in which the activity is primarily undertaken, so as to improve industry homogeneity levels (under this convention, wholesaling work undertaken by manufacturers would be re-defined in the input-output tables from the manufacturing sector to the wholesale trade).

For the Commission's assistance estimates, the use of (unadjusted) published data could give rise to estimated changes in effective rates of assistance between series, without any statutory changes in tariffs or budgetary assistance. For example, for both the *textiles, clothing, footwear and leather* and *motor vehicles and parts* industries, the relative importance of secondary production (such as wholesale trade) increased in published series. As there are no tariffs on wholesale trade, the change in statistical conventions alone would dilute the reported level of tariff protection afforded to the relevant manufacturing activities across assistance series

With the objective of maintaining comparability across series and maintaining the industry homogeneity assumptions that underpin the input-output tables, the Commission has adjusted the 2004-05 ABS Input-Output tables, as far as practicable, to place the 2004-05 tables on a basis consistent with earlier tables. This process has been carried out in two parts — first, a 'grossing up' adjustment (to address commissioned work) and then, a 'full redefinition' of the ABS's Input-Output industry groupings (to address secondary production).

The grossing up adjustment involved removing petroleum produced on behalf of the wholesale industry from *wholesale trade*, together with the inputs used to produce this output, and then adding this production and associated inputs to the *petroleum and coal products* industry (box 5.1).[3] The impact of the adjustment was to reduce *wholesale* industry production by around $4.8 billion (or around 5 per cent of *wholesale* production), and increase *petroleum and coal products* production by the same dollar amount. The adjustment accounts for around one quarter of the (adjusted) output of the *petroleum and coal products* industry.

The full redefinition involved reclassifying all remaining secondary production to the industry in which the activity is primarily undertaken. For example, all footwear related products, not recorded as being produced by the *footwear* industry, were reclassified back to the *footwear* industry. This adjustment to industry outputs was performed on the detailed 109 industry by 1416 product supply table (which denotes the production of each commodity by each industry). Some significant examples of this adjustment included the shifting of wholesale activity undertaken in the manufacturing and other non-wholesale trade industries to the *wholesale trade* industry and shifting all clothing production undertaken in non-clothing industries (particularly wholesale and retail trade) to the *clothing* manufacturing industry.

As a result of these adjustments to industry output, inputs used in production also need to be adjusted (table 2 of the ABS's Input-Output data). Ideally, the adjustments to the inputs would reflect the production technology of the goods they were used to produce. However, detailed information on the inputs used to produce the secondary production is not available. The Commission has therefore adjusted the inputs used in each of the 109 industry groups in proportion to the change in production for each industry by reallocating intermediate and primary inputs in proportion to the reallocation of outputs. For example, where *clothing* industry output declines by 10 per cent then the clothing industry's usage of inputs is also reduced by 10 per cent. Conversely, a 5 per cent increase in *metal products* output results in a 5 per cent increase in the usage of inputs by the metal products industry's to produce the additional output. It is important to note, however, that the total usage of inputs across all industries is unchanged as inputs are only reallocated between industry groups in proportion to the changes in outputs. As no net change in total industry output occurs there is also no net change in the total usage of inputs by industry.

These adjustments were undertaken by the ABS on request from the Commission using the more detailed (unpublished) input-output data tables and using programs

[3] There are other examples of commission work that, in principle, could also be similarly adjusted, but were not adjusted for the 2004-05 update, including, meat processing undertaken on commission for predominantly retail enterprises.

provided by the Commission. Summary non-confidential results were provided to the Commission for inclusion in its assistance estimates.

Box 5.1 **Grossing up: shifting petroleum production from the wholesale industry to the petroleum industry**

The grossing up adjustment involved carrying out modifications to both the supply and use tables of the ABS Input-Output data.

For the supply table (table 1) the grossing up adjustment involved:

- Shifting all petroleum products (IOPC code 25100010: *Automotive petrol; gasoline refining or blending; motor spirit (including aviation spirit))* produced by the *wholesale trade* industry (IOIG 4501) to the *petroleum and coal products* industry (IOIG 2501).
- Reducing income derived from contract refining (IOPC 25201920: *Other income (2510-2520)*), by the *petroleum and coal products* industry by the amount spent on contract refining (IOPC 25201920) by the *wholesale trade* industry (derived from the use table).

For the use table (table 2) the grossing up adjustments included:

- Shifting all crude oil (used to manufacture petroleum) (IOPC 12000011: *Crude oil (incl. condensate)*) from the *wholesale trade* industry to the *petroleum and coal products* industry.
- Setting the cost of contract refining (IOPC 25201920: *Other income (2510-2520)*) or commission work payed by the *wholesale trade* industry to have petroleum produced on its behalf (by the *petroleum and coal products* industry) equal to zero.
- Adjusting all other inputs used by the *wholesale trade* industry in equal proportion such that the reduction in *wholesale trade* industry production (equal to the amount of petroleum refining it commissioned) is equal to the reduction in usage of crude oil and other inputs used to produce petroleum. These inputs were shifted to the *petroleum and coal products* industry.

The impact of modifying the 2004-05 ABS Input-Output tables on the effective rates of assistance for the Commission's ANZSIC-based industry groupings in 2008-09 are presented in table 5.1. Most notably, estimated effective rates for the *textiles, clothing, footwear and leather* industry, increases from 13.6 per cent to 14.5 per cent, and for the *motor vehicles and parts* industry from 11.3 per cent to 11.8 per cent. The estimated effective rate of assistance for the *petroleum, coal, chemical and associated products* industry decreases by 0.3 percentage points from 4 per cent to 3.7 per cent.

Table 5.1 **Impact of input-output table modifications on effective rates of combined assistance, 2008-09[a]**

per cent

	ABS 2004-05 Input-Output tables	*Commission modified ABS 2004-05 Input-Output tables*	*Percentage point difference in effective rates*
Primary production[b]	**4.9**	**4.9**	***0.0***
Dairy cattle farming	4.4	4.4	*0.0*
Grain, sheep & beef cattle	6.3	6.3	*0.0*
Horticulture & fruit	5.6	5.6	*0.0*
Other crop growing	1.8	1.8	*0.0*
Other livestock farming	2.4	2.4	*0.0*
Fisheries	4.5	4.5	*0.0*
Forestry & logging	-2.4	-2.4	*0.0*
Other primary production[c]	0.3	0.3	*0.0*
Mining	**0.1**	**0.1**	***0.0***
Manufacturing[b]	**4.8**	**4.6**	***-0.2***
Food, beverage & tobacco	3.5	3.4	*-0.1*
Textile, clothing, footwear & leather	13.6	14.5	*0.9*
Wood & paper products	5.1	5.3	*0.2*
Printing, publishing & media	1.5	1.5	*0.0*
Petroleum, coal & chemicals	4.0	3.7	*-0.3*
Non-metallic mineral products	2.8	2.6	*-0.2*
Metal products	4.8	4.5	*-0.3*
Motor vehicles & parts	11.3	11.8	*0.5*
Other transport equipment	2.0	2.0	*0.0*
Other machinery & equipment	4.2	3.8	*-0.4*
Other manufacturing	4.7	5.0	*0.3*

[a] Combined assistance' comprises budgetary, tariff and agricultural pricing and regulatory assistance. [b] Sectoral estimates include assistance to the sector that has not been allocated to specific industry groupings. [c] Other primary production includes *Services to agriculture* (including *Hunting & trapping*) and *Poultry farming*.

Source: Commission estimates.

5.3 Updating ABS import data to 2004-05

The Commission uses ABS import data, together with Customs tariff rate information, to derive estimates of the 'price impacts' of tariffs for both output and input goods. These results are then combined with ABS input-output data to derive GSE and TEM estimates and in turn NSE estimates of tariff assistance.

For the new series of assistance estimates, the Commission has updated the ABS import data from 2001-02 to 2004-05, the same year as the ABS Input-Output data.

The use of 2004-05 ABS import data has also involved updating the estimated ad valorem tariff rates for specific-rate tariff items. Excluding excise tariff items, there are currently five tariff items (at the eight digit classification level) that have a specific tariff rate rather than the more common ad valorem tariff rate. These items relate to imports of cheese and curd (mostly cheddar cheese) and, since 1 January 2000, have a specific tariff rate of $1.22 per kilogram or $1220 per tonne. As all tariff rates in the Commission's Tariff and Import Database Estimating System (TIDES) model are expressed in ad valorem terms, each specific rate tariff item was converted to an ad valorem tariff rate based on 2004-05 import quantities and values.

5.4 Tariff rate data — services sector adjustment

In deriving the 'price impacts' of tariffs for both output and input goods, the Commission uses an ABS concordance from the trade classification to the ABS input-output product classification. This concordance maps imports of merchandise goods (around 5000 items or product categories) to the corresponding categories in the ABS's input-output product classification (around 1400 products).

Direct application of the ABS concordance between the merchandise traded goods and the ABS Input-Output classification would result in an average non-zero tariff for some broad service industry groupings. Such 'average' tariff rates would not be considered representative of the majority of the main service activities in that industry grouping. For example, the ABS classify re-imported medical waste products as *Health and community services*. Direct application of the concordance would generate a non-zero average tariff rate for the entire *Health and community services* grouping.

Thus, for the 2004-05 series of assistance estimates, the Commission has set tariff rates on merchandise products mapped to services industries by the ABS equal to zero. The services industries involved were *Government administration and defence* and *Health and community services*.

5.5 Coverage of budgetary assistance estimates

For the 2004-05 series of assistance estimates, the Commission has continued to update the coverage of budgetary measures to reflect the introduction of new programs by the government, the inclusion of some previously unidentified or omitted assistance measures, and improvements in data availability.

The measures that were newly included in *Trade & Assistance Review 2008-09*, and the industry groupings to which the assistance was allocated, are set out in table 5.2.

Table 5.2 **Changes in budgetary assistance measures for *Trade & Assistance Review 2008-09***

Program	*Industry grouping allocation*
Programs commencing in 2008-09	
Australia’s Farming Future – Climate Change Adaption Partnerships Program	Unallocated Primary
Australia’s Farming Future – Climate Change Adjustment Program	Unallocated Primary
Australia’s Farming Future – Climate Change and Productivity Research Program	Unallocated Primary
Australia’s Forest Industry – Preparing for the Future	Wood & Paper Products
National Weeds and Productivity Research Program	Unallocated Primary
Promoting Australian Produce	Unallocated Primary
Fisheries Research Program	Commercial Fishing
Small Business Advisory Services Program	Unallocated Other
Geelong Innovation and Investment Fund	Unallocated Other
South Australian Innovation and Investment Fund & labour Adjustment Assistance Package	Unallocated Other
Automotive Supply Chain Development Program	Motor Vehicles & Parts
Automotive Industry Structural Adjustment Program	Motor Vehicles & Parts
Structural Adjustment Package (Electrolux)	Unallocated Other
Early Stage Venture Capital Limited Partnerships Program	Finance and Insurance
National Low Emissions Coal Initiatives	Mining
Queensland Tourism Assistance Package	Unallocated Services
Energy Innovation Fund	Unallocated Other
Tasmanian Forest Tourism Initiative	Unallocated Services
Australian Broadcasting Corporation (ABC) and Special Broadcasting Service (SBS) Digital Interference Program	Communication
Taxation Assistance for victims of Australian Natural Disasters	Unallocated Other
Programs that commenced in 2007-08 but were not included in 2007-08 estimates	
Enterprise Connect Innovation Centres	Unallocated Other
Low Emissions Technology Abatement Program	Unallocated Other
Low Emissions Technology Demonstration Fund	Unallocated Other
Sustainable Rural Water Use and Infrastructure Program	Unallocated Primary
Torres Strait Prawn Fisheries Program	Commercial Fishing

5.6 Combining tariff and budgetary assistance estimates — conversion to same constant dollar basis

The tariff assistance estimates, are initially derived for all years in the series in 2004-05 Input-Output base-year dollars. That is, different tariff levels, or rates, over a number of years are combined with the same 2004-05 ABS Input-Output data. This provides multiple year estimates of GSE and TEM tariff assistance in constant 2004-05 dollars.

In contrast, expenditure under budgetary assistance programs are in current year dollars.

As indicated above, to combine estimates of the value of tariff assistance at reference-year values with estimates of budgetary assistance at current year values, the estimates of tariff assistance need to be adjusted or scaled from input-output base-year dollars to current-year dollars. The Commission uses ABS Gross Value Added (GVA) data by national accounts industry division to scale the tariff assistance from base-year (2004-05) values to current year values. The concordance between trade and assistance industry groupings and the national accounts division used in the scaling process is provided in table 5.3.

The ABS updates the GVA data annually. Statistical revisions arising from these updates flow through to affect the current-year dollar value estimate of tariff assistance and in turn the effective rates of assistance estimates. Some minor year-to-year variation in the Commission's assistance estimates therefore occurs with revisions in ABS GVA data.

Table 5.3 Concordance between trade & assistance industry group and national accounts industry division

Trade & Assistance industry group (ANZSIC-93)	*National accounts industry division (ANZSIC-06)*
Horticulture and fruit growing; Grain, sheep and beef cattle farming; Dairy cattle farming; Poultry farming; Other livestock farming; Other crop growing; and Services to agriculture	Agriculture
Forestry and logging; and Fisheries	Forestry and fishing
Mining	Mining
Food, beverages and tobacco	Food, beverage and tobacco products
Textile, clothing, footwear and leather	Textile, clothing and other manufacturing
Wood and paper products	Wood and paper products
Printing, publishing and recorded media	Printing and recorded media
Petroleum, coal, chemical and associated products	Petroleum, coal, chemical and rubber products
Non-metallic mineral products	Non-metallic mineral products
Metal products	Metal products
Motor vehicles and parts; Other transport equipment; Other machinery and equipment; and Other manufacturing	Machinery and equipment
Electricity, gas and water supply	Electricity, gas, water and waste services
Construction	Construction
Wholesale trade	Wholesale trade
Retail trade	Retail trade
Accommodation, cafes and restaurants	Accommodation and food services
Transport and storage	Transport, postal and warehousing
Communication services	Information media and telecommunications
Finance and insurance	Financial and insurance services
Property and business services	Rental, hiring and real estate services; Professional, scientific and technical services; and Administrative and support services
Government administration and defence	Public administration and safety
Education	Education and training
Health and community services	Health care and social assistance
Cultural and recreational services	Arts and recreation services
Personal and other services	Other services
Property and business services	Ownership of dwellings

Sources: Commission estimates; ABS (2009).

A Selected program-by-program allocations of budgetary assistance

This appendix describes each budgetary measure included in the assistance estimates for 2008-09 and its industry group allocation. Programs are ordered by funding size in 2008-09, largest to smallest.

A.1 Small business capital gains tax 50 per cent reduction (active asset sales)

Under the small business capital gains tax concession, 50 per cent of the capital gains arising from the sale of active assets in an eligible small business are exempt from capital gains tax. Active assets include assets used in carrying on a business and intangible assets connected with a business (for example, goodwill). An eligible small business is one where the net value of assets that the taxpayer and connected entities own is no more than $6 million, or where the aggregated annual turnover is less than $2 million. This concession applies in addition to any capital gains tax discount entitlement of the taxpayer (Australian Government 2010, TES Item E 31).

The Australian Taxation Office (ATO) has provided information detailing claim data for the concession by ANZSIC industry. The industry shares derived from the ATO claim data have been used to allocate Treasury estimates of total revenue forgone for the concession to the Commission's ANZSIC-based industry groupings (table A.1).

Table A.1 **Allocation of Small Business capital gains tax 50 per cent reduction by industry grouping, 2003-04 to 2008-09**

$ million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Horticulture & fruit growing	3.1	1.9	1.4	3.3	5.1	6.3
Grain, sheep & beef cattle	4.9	8.7	7.0	7.3	11.2	13.6
Dairy cattle farming	0.6	1.6	-	-	-	-
Poultry farming	0.9	-	-	-	-	-
Other livestock farming	1.1	-	-	-	-	-
Other crop growing	-	-	0.3	-	-	-
Services to agriculture	0.5	1.6	0.7	0.4	0.6	0.8
Forestry & logging	0.5	0.5	0.3	-	-	-
Fisheries	0.9	2.8	0.6	4.1	6.4	7.7
Mining	0.6	1.5	2.2	2.2	3.4	4.1
Food, beverages & tobacco	4.2	9.1	10.4	7.7	11.9	14.5
Textile, clothing & footwear	1.6	1.4	1.6	0.4	0.7	0.8
Wood & paper products	0.8	1.3	2.7	1.2	1.8	2.2
Printing, publishing & media	2.9	2.4	1.6	2.0	3.1	3.7
Petroleum, coal & chemicals	0.3	1.9	1.4	2.9	4.5	5.5
Non-metallic mineral products	0.3	1.9	0.8	1.1	1.6	2.0
Metal products	7.4	4.7	4.4	4.4	6.8	8.2
Motor vehicles & parts	1.7	2.2	-	2.1	3.2	3.8
Other transport equipment	0.9	1.2	1.4	2.2	3.4	4.2
Other machinery & equipment	3.4	2.2	4.1	4.8	7.4	9.0
Other manufacturing	0.8	0.7	2.0	1.6	2.4	3.0
Electricity, gas & water supply	1.2	1.7	3.9	2.0	3.1	3.7
Construction	11.1	16.2	26.1	33.3	51.2	62.3
Wholesale trade	14.0	22.5	27.3	28.3	43.6	53.0
Retail trade	33.1	34.4	42.7	42.7	65.7	79.9
Accommodation, cafes &	39.3	42.0	57.4	41.5	63.8	77.6
Transport & storage	12.5	14.1	21.2	13.8	21.3	25.9
Communication services	2.6	3.0	4.5	4.3	6.6	8.0
Finance & insurance	15.7	24.2	27.8	29.1	44.7	54.4
Property & business services	40.3	65.2	74.7	87.8	135.0	164.3
Government admin. & defence	0.4	0.9	1.1	0.5	0.8	1.0
Education	2.1	3.5	2.4	2.2	3.4	4.1
Health & community services	11.2	21.6	18.4	26.2	40.4	49.1
Cultural & recreational services	2.4	3.2	4.8	8.0	12.3	14.9
Personal & other services	4.0	9.4	12.2	12.8	19.7	24.0
Unallocated other[a]	12.6	10.5	12.5	9.8	15.1	18.3
Total	**240.0**	**320.0**	**380.0**	**390.0**	**600.0**	**730.0**

[a] Unallocated includes general programs where details of beneficiaries are unknown.

Source: Commission estimates.

A.2 R&D tax concession

The R&D tax concession allows all companies incorporated in Australia and undertaking eligible R&D activities to claim a deduction from their taxable income of up to 125 per cent of R&D expenditure. The estimated level of assistance (support) is measured as the tax revenue forgone as a result of the concession (Australian Government 2010, TES Item B 96).

For *Trade & Assistance Review 2008-09*, the industry allocation methodology was modified for the R&D tax concession. Previously, ATO claim data (by industry) was used to apportion Treasury estimates of total revenue forgone for the concession. However, the ATO claims data revealed a very high share of claims by the *finance and insurance* industry grouping compared with ABS data on R&D undertaken by firms. The high claims by finance industries reflects legal structures for the financing of R&D, such as syndication, rather than the conduct of R&D. Accordingly, for the finance industry the share of business expenditure on R&D has been used from the ABS data. The difference between the ATO and ABS shares for the finance industry has then been re-allocated across all other remaining industries (based on the ATO shares). These adjusted industry shares are then used to allocate Treasury estimates of total revenue forgone for the concession (table A.2).

Table A.2 **Allocation of R&D tax concession by industry grouping, 2003-04 to 2008-09**

million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Horticulture & fruit growing	0.7	0.9	0.9	0.9	1.1	1.3
Grain, sheep & beef cattle	0.7	0.6	0.7	1.1	1.4	1.6
Other crop growing	0.3	0.4	0.3	-	-	-
Services to agriculture	1.0	1.8	1.2	0.5	0.6	0.7
Forestry & logging	0.2	0.2	0.4	0.2	0.2	0.2
Fisheries	0.6	1.0	1.3	1.8	2.2	2.6
Mining	49.8	64.3	87.7	112.6	138.8	162.4
Food, beverages & tobacco	9.4	8.7	9.9	11.9	14.7	17.2
Textile, clothing & footwear	0.4	0.5	0.5	0.4	0.5	0.6
Wood & paper products	3.3	2.5	2.5	4.8	5.9	6.9
Printing, publishing & media	0.6	0.8	0.7	0.9	1.1	1.3
Petroleum, coal & chemicals	13.9	12.3	12.9	15.7	19.4	22.7
Non-metallic mineral products	4.4	4.2	5.5	4.4	5.5	6.4
Metal products	16.2	18.6	25.7	35.0	43.2	50.5
Motor vehicles & parts	24.8	26.2	12.1	13.5	16.7	19.5
Other transport equipment	8.3	5.4	5.8	6.1	7.5	8.8
Other machinery & equipment	29.0	24.9	25.3	26.2	32.3	37.8
Other manufacturing	1.0	1.1	0.9	0.9	1.1	1.3
Electricity, gas & water supply	3.1	3.7	3.2	2.8	3.5	4.1
Construction	8.0	3.2	11.4	10.5	12.9	15.1
Wholesale trade	18.4	19.7	20.5	21.4	26.3	30.8
Retail trade	3.0	2.6	2.8	4.7	5.7	6.7
Accommodation, cafes &	0.3	0.5	1.0	1.0	1.3	1.5
Transport & storage	5.5	6.6	5.1	7.5	9.2	10.7
Communication services	15.3	10.1	14.2	20.1	24.7	28.9
Finance & insurance	29.5	34.1	33.6	37.7	46.5	54.4
Property & business services	65.6	69.1	76.3	78.6	96.8	113.3
Government admin. & defence	0.3	0.6	0.5	0.9	1.1	1.2
Education	0.7	0.5	0.4	0.4	0.5	0.6
Health & community services	1.1	1.3	2.0	1.7	2.1	2.5
Cultural & recreational services	0.5	0.4	0.3	0.2	0.2	0.2
Personal & other services	1.9	2.0	2.5	2.8	3.5	4.1
Unallocated other	2.6	1.4	2.0	2.8	3.4	4.0
Total	**320.0**	**330.0**	**370.0**	**430.0**	**530.0**	**620.0**

- Nil. Figures may not add to totals due to rounding.

Source: Commission estimates.

A.3 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.

In December 2002, the Australian 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 was scheduled to commence on 1 January 2011 (concluding on 31 December 2015), with further modifications to the scheme and a progressive decline in assistance.

In November 2008, following the release of the Bracks review of the Australian automotive industry, the Australian Government announced that it would introduce a $6.2 billion plan for the automotive industry — *A New Car Plan for a Greener Future*. The main elements of the package included:

- the continuation of scheduled Motor Vehicle and Parts tariff reductions in 2010;
- the introduction of a new $3.4 billion assistance program from 2011, the Automotive Transformation Scheme (ATS), to replace ACIS;
- an expanded $1.3 billion Green Car Innovation Fund; and
- the continuation of ACIS through to 2010, but with changes to the scheme as proposed by the Bracks review to facilitate the transition to the ATS (Carr 2008a).

The estimated value of ACIS assistance is sourced from the annual report of the Department of Innovation, Industry, Science and Research. The ACIS selectively benefits the *motor vehicles and parts* industry grouping (table A.3).

Table A.3 **Allocation of Automotive Competitiveness and Investment Scheme by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Motor vehicles & parts	584.3	568.8	479.8	537.0	506.9	479.1

Source: Commission estimates.

A.4 Small business capital gains tax exemption (retirement)

Under the small business capital gains tax retirement exemption, capital gains arising from the sale of active small business assets are exempt from capital gains tax, up to a lifetime limit of $500 000, where the proceeds of the sale are used for retirement. An eligible small business is one where the net value of assets that the taxpayer and connected entities own is no more than $6 million, or where the aggregated annual turnover is less than $2 million (Australian Government 2010, TES Item C 1).

The ATO has provided information detailing claim data for the concession by ANZSIC industry. The industry shares derived from the ATO claim data have been used to allocate Treasury estimates of total revenue forgone for the concession to the Commission's ANZSIC-based industry groupings (table A.4).

Table A.4 **Allocation of Small Business capital gains tax retirement exemption by industry grouping, 2003-04 to 2008-09**

million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Horticulture & fruit growing	-	-	-	0.7	1.2	1.3
Grain, sheep & beef cattle	-	4.2	5.2	2.5	4.3	4.8
Other crop growing	-	-	-	1.7	2.8	3.2
Fisheries	-	-	-	2.4	4.1	4.6
Mining	-	-	0.9	1.4	2.4	2.7
Food, beverages & tobacco	1.5	1.6	3.0	5.5	9.3	10.5
Textile, clothing & footwear	-	-	1.4	1.7	2.9	3.3
Wood & paper products	-	0.5	4.5	-	-	-
Printing, publishing & media	0.5	0.6	2.5	0.8	1.3	1.5
Petroleum, coal & chemicals	0.5	1.2	-	2.2	3.8	4.2
Non-metallic mineral products	-	-	-	1.0	1.8	2.0
Metal products	1.8	3.0	-	2.7	4.6	5.2
Other machinery & equipment	-	0.5	1.0	3.4	5.9	6.6
Other manufacturing	-	-	2.3	0.7	1.2	1.4
Electricity, gas & water supply	-	2.1	2.4	1.0	1.7	1.9
Construction	4.4	7.5	9.0	13.5	23.1	25.9
Wholesale trade	9.3	15.8	11.9	23.5	40.2	45.1
Retail trade	13.2	19.8	22.5	23.4	39.9	44.8
Accommodation, cafes &	14.6	24.8	20.4	17.8	30.4	34.1
Transport & storage	4.3	6.4	9.1	10.7	18.3	20.5
Communication services	1.2	1.1	3.6	2.1	3.6	4.0
Finance & insurance	11.8	12.2	18.7	19.9	34.0	38.2
Property & business services	18.9	33.9	41.0	66.1	112.9	126.7
Government admin. & defence	0.1	-	-	0.8	1.4	1.5
Education	1.0	3.7	3.7	0.6	1.1	1.2
Health & community services	5.0	11.4	12.4	17.9	30.5	34.2
Cultural & recreational services	1.3	1.3	3.8	3.3	5.7	6.4
Personal & other services	2.3	2.2	5.4	7.8	13.3	14.9
Unallocated other	8.5	6.5	5.3	4.9	8.3	9.4
Total	**100.0**	**160.0**	**190.0**	**240.0**	**410.0**	**460.0**

- Nil. Figures may not add to totals due to rounding.

Source: Commission estimates.

A.5 Exceptional Circumstances – interest rate subsidies

The Exceptional Circumstances (EC) arrangements are the Australian Government's primary mechanism for assisting farmers and small business operators affected by drought. There are two main forms of assistance available under the arrangements: interest rate subsidies and income support.

EC interest rate subsidies of up $100 000 per year, with a cap of $500 000 over five years, are available to eligible farm enterprises and small businesses. EC interest rate subsidies are funded jointly by the Australian Government (90 per cent) and state and territory governments (10 per cent). Only the Australian Government contribution is reported in the table below.

The Department of Agriculture, Fisheries and Forestry (DAFF) has provided a breakdown of EC interest rate subsidies by ANZSIC industry (table A.5).

Table A.5 **Allocation of Exceptional Circumstances interest rate subsidies by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Horticulture & fruit growing	1.9	2.1	4.9	8.7	13.5	34.0
Grain, sheep & beef cattle	66.1	70.9	165.9	296.4	457.7	359.1
Dairy cattle farming	19.7	21.2	49.5	88.4	136.5	45.3
Poultry farming	<0.1	<0.1	0.1	0.1	0.2	0.5
Other livestock farming	1.2	1.3	3.0	5.4	8.4	5.4
Other crop growing	3.4	3.7	8.6	15.4	23.8	7.8
Services to agriculture	<0.1	<0.1	<0.1	<0.1	<0.1	1.2
Forestry & logging	-	-	-	-	-	<0.1
Fisheries	-	-	-	-	-	0.1
Unallocated primary	<0.1	<0.1	<0.1	<0.1	<0.1	3.9
Total	**92.5**	**99.2**	**232.1**	**414.5**	**640.1**	**457.3**

- Nil. Figures may not add to totals due to rounding.

Source: Commission estimates.

A.6 R&D tax offset for small companies

The R&D tax offset for small companies 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. If these 'small' companies are in tax loss they cannot utilise the general 125 per cent R&D tax concession and would otherwise have to carry forward R&D-related tax losses. Under the offset they can instead 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) (ATO 2009).

For *Trade & Assistance Review 2008-09*, the industry allocation methodology was modified for the R&D tax offset. Previously, ATO claim data (by industry) was used to apportion ATO estimates of payments for the offset. However, the ATO claims data revealed a very high share of claims by the *finance and insurance* industry grouping compared with ABS data on R&D undertaken by firms. The high claims by finance industries reflects legal structures for the financing of R&D, such as syndication, rather than the conduct of R&D. Accordingly, for the finance industry, the share of business expenditure on R&D has been used from the ABS data. The difference between the ATO and ABS shares for the finance industry has then been re-allocated across all other remaining industries (based on the ATO shares). These adjusted industry shares are then used to allocate ATO estimates of payments for the offset (table A.6).

Table A.6 **Allocation of R&D tax offset for small companies by industry grouping, 2003-04 to 2008-09**

million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Horticulture & fruit growing	0.4	1.7	0.7	2.8	3.8	4.9
Grain, sheep & beef cattle	0.6	1.0	1.3	1.2	1.6	2.0
Services to agriculture	1.4	1.1	1.4	1.6	2.2	2.8
Forestry & logging	1.2	-	1.6	1.3	1.8	2.3
Fisheries	4.4	4.9	5.2	5.2	7.1	9.1
Mining	8.2	11.4	18.7	16.9	22.9	29.4
Food, beverages & tobacco	2.1	2.7	2.1	3.1	4.2	5.3
Textile, clothing & footwear	1.1	1.6	2.3	0.7	1.0	1.3
Wood & paper products	0.7	1.6	2.1	1.0	1.3	1.7
Printing, publishing & media	2.0	2.2	2.1	1.8	2.4	3.1
Petroleum, coal & chemicals	8.8	11.7	12.5	11.7	15.9	20.5
Non-metallic mineral products	1.7	2.2	4.7	4.0	5.4	6.9
Metal products	7.2	7.1	6.4	5.5	7.5	9.7
Motor vehicles & parts	4.4	4.5	6.3	4.3	5.8	7.5
Other transport equipment	2.2	2.9	3.6	3.5	4.8	6.1
Other machinery & equipment	35.6	33.2	40.4	34.9	47.4	60.9
Other manufacturing	2.3	3.2	3.2	3.8	5.2	6.7
Electricity, gas & water supply	4.5	4.7	4.8	2.4	3.3	4.3
Construction	6.4	8.3	8.8	8.6	11.7	15.1
Wholesale trade	17.7	25.1	24.2	23.3	31.7	40.8
Retail trade	7.9	7.2	7.3	9.3	12.7	16.3
Accommodation, cafes &	0.7	-	-	0.5	0.6	0.8
Transport & storage	1.6	1.9	2.6	3.4	4.6	5.9
Communication services	12.2	12.7	14.0	15.6	21.2	27.3
Finance & insurance	12.1	13.2	16.6	13.0	17.6	22.6
Property & business services	38.8	43.1	47.6	40.0	54.4	69.9
Education	2.1	3.1	3.3	3.3	4.5	5.7
Health & community services	2.0	3.5	5.2	4.4	6.0	7.8
Cultural & recreational services	1.0	1.6	2.2	1.2	1.6	2.1
Personal & other services	5.1	4.3	7.7	5.3	7.3	9.3
Unallocated other	3.6	5.5	8.3	11.3	15.3	19.7
Total	**200.0**	**227.0**	**267.0**	**245.0**	**333.0**	**428.0**

- Nil. Figures may not add to totals due to rounding.

Source: Commission estimates.

A.7 CSIRO research

The Commonwealth Scientific and Industrial Research Organisation (CSIRO) was established in 1926 and is Australia's principle national science agency. A primary function of CSIRO is to undertake scientific research to assist Australian industry, sometimes in collaboration with industry partners (CSIRO 2009). The Commission allocates its research funding among the industries involved.

A methodology for allocating CSIRO assistance to the Commission's ANZSIC-based 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 2002). Subsequent changes to the reporting of CSIRO data and modifications to the allocation methodology were further discussed in the *Methodological Annex* to *Trade & Assistance Review 2004-05* (PC 2006).

For *Trade & Assistance Review 2008-09* , the allocation methodology was modified again as CSIRO no longer reported appropriation funding by CSIRO division. Instead, CSIRO now provides the Commission with CSIRO appropriation expenditure by the ABS's Social Economic Objective (SEO) classification. The SEO classification enables R&D activity to be categorised according to the intended purpose or outcome of the research (ABS 1998, 2008). In response, the Commission has developed a concordance between the SEO and ANZSIC classifications (table A.7).

The Commission's assistance estimates do not include the full CSIRO appropriation. Excluded are corporate overheads and certain public research such as environmental research, some renewable energy research and general research towards expanding knowledge in various fields.

Table A.7 **Allocation of CSIRO research by industry grouping, 2003-04 to 2008-09**

million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Horticulture & fruit growing	13.3	13.1	11.5	12.6	9.2	8.1
Grain, sheep & beef cattle	46.6	50.4	34.0	40.2	34.3	45.3
Dairy cattle farming	4.9	5.1	2.2	2.1	2.3	1.4
Poultry farming	9.0	9.5	4.0	3.9	3.9	0.8
Other livestock farming	6.8	6.5	6.4	6.4	6.1	0.1
Other crop growing	26.8	30.4	25.1	31.3	23.3	7.1
Forestry & logging	15.0	10.0	13.3	4.6	18.0	6.3
Fisheries	10.2	9.7	7.4	9.2	10.8	15.9
Unallocated primary	23.2	21.7	22.3	18.8	17.5	30.3
Mining	40.2	42.1	39.7	47.0	47.6	60.4
Food, beverages & tobacco	26.5	7.3	27.8	10.3	18.6	18.2
Textile, clothing & footwear	14.8	15.0	13.4	13.8	9.8	5.0
Wood & paper products	2.2	1.5	2.1	6.9	0.4	2.3
Printing, publishing & media	0.6	0.3	0.5	2.2	-	0.6
Petroleum, coal & chemicals	4.6	5.4	5.0	4.2	3.8	1.8
Non-metallic mineral products	3.6	3.0	2.8	2.5	0.1	0.4
Metal products	40.1	44.5	41.9	47.1	47.3	27.1
Motor vehicles & parts	1.0	1.4	1.2	1.4	1.1	0.5
Other transport equipment	1.8	2.6	2.2	2.6	2.6	5.4
Other machinery & equipment	15.4	14.8	17.6	15.6	13.9	19.6
Other manufacturing	7.6	9.2	10.0	10.0	15.7	-
Unallocated manufacturing	9.8	0.5	0.5	0.4	0.3	12.8
Electricity, gas & water supply	17.4	19.9	22.8	19.8	28.0	22.3
Construction	4.3	3.8	4.6	3.4	1.4	1.3
Accommodation, cafes &	0.4	0.2	<0.1	0.1	-	-
Transport & storage	3.1	3.7	4.7	3.3	2.7	1.1
Communication services	20.6	22.3	24.1	32.8	35.7	18.2
Finance & insurance	1.9	1.5	1.2	1.2	0.8	0.7
Property & business services	10.6	8.5	9.3	7.5	6.2	2.0
Government admin. & defence	12.7	7.5	11.5	13.8	12.7	25.8
Education	0.7	1.1	2.1	2.0	1.1	0.7
Health & community services	30.2	38.7	48.0	41.1	50.3	47.6
Cultural & recreational services	0.4	0.7	0.6	0.5	0.8	1.5
Personal & other services	-	-	0.8	1.2	1.3	<0.1
Unallocated services	0.7	0.4	2.9	3.3	3.7	2.4
Total	**426.8**	**412.3**	**423.5**	**423.3**	**431.4**	**393.0**

- Nil. Figures may not add to totals due to rounding.

Source: Commission estimates.

A.8 Premium R&D tax concession

The premium R&D tax concession was announced as part of the Australian Government's 2001 Statement, Backing Australia's Ability. Under the concession, a 175 per cent tax concession is available for certain labour related components of 'incremental'[1] research and development expenditure (excluding such expenditures as plant, core technology, interest and items excluded from the 125 per cent R&D tax concession) (Australian Government 2010, TES Item B 95).

For *Trade & Assistance Review 2008-09*, the industry allocation methodology was modified for the Premium R&D tax concession. Previously, ATO claim data (by industry) was used to apportion Treasury estimates of total revenue forgone for the concession. However, the ATO claims data revealed a very high share of claims by the *finance and insurance* industry grouping compared with ABS data on R&D undertaken by firms. The high claims by finance industries reflects legal structures for the financing of R&D, such as syndication, rather than the conduct of R&D. Accordingly, for the finance industry the share of business expenditure on R&D has been used from the ABS data. The difference between the ATO and ABS shares for the finance industry has then been re-allocated across all other remaining industries (based on the ATO shares). These adjusted industry shares are then used to allocate Treasury estimates of total revenue forgone for the concession (table A.8).

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

Table A.8 **Allocation of Premium R&D tax concession by industry grouping, 2003-04 to 2008-09**

million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Fisheries	-	-	0.0	0.1	0.2	0.2
Mining	16.6	22.3	55.9	74.3	121.9	125.8
Food, beverages & tobacco	4.7	2.7	2.9	2.5	4.0	4.2
Textile, clothing & footwear	0.1	0.1	-	0.1	0.1	0.1
Wood & paper products	-	-	0.7	2.1	3.5	3.6
Printing, publishing & media	-	-	0.2	0.3	0.5	0.5
Petroleum, coal & chemicals	6.7	3.1	4.6	10.7	17.6	18.1
Non-metallic mineral products	-	0.2	0.7	1.9	3.2	3.3
Metal products	1.5	12.0	9.0	24.7	40.6	41.8
Motor vehicles & parts	16.2	9.4	1.0	3.7	6.1	6.3
Other transport equipment	0.6	0.3	4.0	3.1	5.0	5.2
Other machinery & equipment	7.1	4.3	5.4	7.9	13.0	13.4
Other manufacturing	0.1	0.2	0.2	0.1	0.1	0.2
Electricity, gas & water supply	-	3.3	1.9	1.8	2.9	3.0
Construction	0.4	0.4	0.8	1.2	2.0	2.0
Wholesale trade	5.5	5.8	6.0	8.6	14.1	14.5
Retail trade	0.3	0.7	1.1	2.1	3.4	3.5
Transport & storage	-	3.0	0.2	4.2	6.9	7.1
Communication services	0.3	0.5	3.6	1.7	2.8	2.9
Finance & insurance	7.8	10.3	11.8	17.1	28.1	29.0
Property & business services	13.7	20.4	18.2	25.2	41.4	42.7
Education	-	0.1	0.1	0.1	0.1	0.1
Health & community services	0.4	0.6	0.6	0.4	0.7	0.7
Personal & other services	0.2	0.3	0.6	0.8	1.3	1.3
Unallocated other	2.7	0.2	0.5	0.3	0.5	0.5
Total	**85.0**	**100.0**	**130.0**	**195.0**	**320.0**	**330.0**

- Nil. Figures may not add to totals due to rounding.

Source: Commission estimates.

A.9 Exceptional Circumstances – relief payments

The Exceptional Circumstances (EC) arrangements are the Australian Government's primary mechanism for assisting farmers and small business operators affected by drought. There are two main forms of assistance available under the arrangements: interest rate subsidies (see item A.5, above) and income support.

The income support, or EC relief payments, provides eligible farmers and small business operators with a fortnightly payment at a rate equivalent to the Newstart allowance, including additional benefits (such as a healthcare card). The Australian Government funds all income support payments.

The Department of Agriculture, Fisheries and Forestry (DAFF) has provided a breakdown of EC relief payments by ANZSIC industry. The Commission has used the industry shares for the EC relief payments program and allocated this information to the Commission's ANZSIC-based industry grouping (table A.9).

Table A.9 **Allocation of Exceptional Circumstances relief payments by industry grouping, 2003-04 to 2008-09**

million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Horticulture & fruit growing	-	-	-	-	-	26.6
Grain, sheep & beef cattle	92.8	70.9	94.4	154.3	229.3	230.3
Dairy cattle farming	44.1	33.6	44.8	73.2	108.8	36.5
Poultry farming	2.0	1.5	2.0	3.3	4.9	0.2
Other livestock farming	1.2	0.9	1.2	1.9	2.9	4.1
Other crop growing	13.3	10.2	13.5	22.1	32.8	0.9
Fisheries	-	-	-	-	-	0.2
Unallocated primary	-	-	-	-	-	22.8
Total	**153.4**	**117.1**	**156.0**	**254.9**	**378.8**	**321.7**

- Nil. Figures may not add to totals due to rounding.

Source: Commission estimates.

A.10 Offshore Banking Unit tax concession

The Offshore Banking Unit (OBU) tax concession was introduced in 1992. The concession was extended in 1997 to include fund managers and life insurance companies in order to facilitate greater non-bank competition for offshore business.

Under the concession, income (other than capital gains) derived by an OBU from offshore banking activities is taxed at a concessional rate of 10 per cent. Interest paid by an OBU on qualifying offshore borrowings, and gold fees paid by an OBU on certain offshore gold borrowings, are exempt from withholding tax (Australian Government 2010, TES Item B 7).

The scheme selectively benefits certain financial institutions and has been allocated to the *finance & insurance* industry (table A.10).

Table A.10 **Allocation of Offshore Banking Unit tax concession by industry grouping, 2003-04 to 2008-09**

million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Finance & insurance	55.0	75.0	90.0	160.0	320.0	305.0

Source: Commission estimates.

A.11 Small business capital gains tax rollover relief (sale of business)

The small business capital gains tax rollover relief allows business owners with assets of less than $5 million to access capital gains tax 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 (Australian Government 2010, TES Item E 20).

The Commission has obtained claim data from the ATO for the program by ANZSIC industry. The industry shares from the ATO claim data have been used to allocate Treasury estimates of total revenue forgone for the concession to the Commission's ANZSIC-based industry groupings (table A.11).

Table A.11 **Allocation of Small business capital gains tax rollover relief by industry grouping, 2003-04 to 2008-09**

million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Grain, sheep & beef cattle	3.6	6.3	4.7	4.1	5.4	8.6
Fisheries	-	1.9	-	-	-	-
Food, beverages & tobacco	1.7	4.3	3.6	3.0	3.9	6.2
Textile, clothing & footwear	-	-	0.4	-	-	-
Non-metallic mineral products	-	0.9	-	-	-	-
Metal products	0.9	0.6	2.9	-	-	-
Other machinery & equipment	-	-	1.3	-	-	-
Electricity, gas & water supply	0.5	-	1.4	-	-	-
Construction	4.5	8.2	9.8	11.5	15.0	23.9
Wholesale trade	3.2	5.4	4.4	5.4	7.1	11.3
Retail trade	9.8	11.7	13.7	18.9	24.7	39.3
Accommodation, cafes &	18.4	18.5	16.6	19.9	26.1	41.4
Transport & storage	3.7	9.7	7.0	2.9	3.8	6.1
Communication services	-	-	1.1	-	-	-
Finance & insurance	4.1	3.9	8.3	12.7	16.6	26.3
Property & business services	16.6	26.4	19.5	26.5	34.6	55.0
Education	0.5	-	-	-	-	-
Health & community services	3.3	7.7	4.2	12.0	15.7	24.9
Cultural & recreational services	-	-	1.6	2.3	3.0	4.7
Personal & other services	1.4	1.7	3.8	8.0	10.5	16.6
Unallocated other	3.0	2.9	5.7	2.8	3.6	5.7
Total	**75.0**	**110.0**	**110.0**	**130.0**	**170.0**	**270.0**

- Nil. Figures may not add to totals due to rounding.

Source: Commission estimates.

A.12 25 per cent entrepreneurs' tax offset

Under the 25 per cent entrepreneurs' tax offset concession, small businesses that have an annual turnover of $50 000 or less are eligible for a tax offset of 25 per cent of the income tax liability attributable to their business income. The offset phases out for annual turnover between $50 001 and $75 000. From 1 July 2007, the offset was extended to apply to all small business entities (Australian Government 2010, TES Item B 52).

In the May 2008 Budget, the Australian Government announced that eligibility to the offset would also be subject to a means test from 1 July 2008. Under the means test, the offset phases out for singles from $70 000 and for families from $120 000.

The Commission has obtained claim data from the ATO for the offset by ANZSIC industry. The industry shares from the ATO claim data have been used to allocate

Treasury estimates of total revenue forgone for the concession to the Commission's ANZSIC-based industry groupings (table A.12).

Table A.12 **Allocation of 25 per cent entrepreneurs' tax offset by industry grouping, 2003-04 to 2008-09**

million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Horticulture & fruit growing	-	-	-	0.4	0.5	0.7
Grain, sheep & beef cattle	-	-	-	1.2	1.5	1.8
Dairy cattle farming	-	-	-	0.2	0.2	0.3
Poultry farming	-	-	-	<0.1	<0.1	0.0
Other livestock farming	-	-	-	0.1	0.1	0.2
Other crop growing	-	-	-	0.1	0.1	0.1
Services to agriculture	-	-	-	0.7	0.9	1.1
Forestry & logging	-	-	-	0.2	0.3	0.4
Fisheries	-	-	-	0.7	0.9	1.1
Mining	-	-	-	0.2	0.3	0.3
Food, beverages & tobacco	-	-	-	0.1	0.2	0.2
Textile, clothing & footwear	-	-	-	0.7	0.8	1.0
Wood & paper products	-	-	-	0.3	0.4	0.5
Printing, publishing & media	-	-	-	0.2	0.3	0.3
Petroleum, coal & chemicals	-	-	-	0.1	0.1	0.2
Non-metallic mineral products	-	-	-	0.2	0.2	0.2
Metal products	-	-	-	1.1	1.4	1.7
Motor vehicles & parts	-	-	-	0.1	0.1	0.2
Other transport equipment	-	-	-	0.4	0.5	0.7
Other machinery & equipment	-	-	-	0.3	0.3	0.4
Other manufacturing	-	-	-	0.5	0.7	0.8
Electricity, gas & water supply	-	-	-	0.2	0.3	0.4
Construction	-	-	-	40.7	51.3	63.3
Wholesale trade	-	-	-	0.9	1.1	1.4
Retail trade	-	-	-	1.8	2.3	2.9
Accommodation, cafes &	-	-	-	0.6	0.8	1.0
Transport & storage	-	-	-	9.2	11.6	14.4
Communication services	-	-	-	1.0	1.3	1.6
Finance & insurance	-	-	-	4.4	5.5	6.8
Property & business services	-	-	-	27.4	34.5	42.6
Government admin. & defence	-	-	-	0.7	0.9	1.1
Education	-	-	-	3.6	4.5	5.6
Health & community services	-	-	-	7.7	9.7	12.0
Cultural & recreational services	-	-	-	4.3	5.4	6.7
Personal & other services	-	-	-	6.7	8.4	10.4
Unallocated other	-	-	-	17.8	22.5	27.7
Total	**0.0**	**0.0**	**0.0**	**135.0**	**170.0**	**210.0**

- Nil. Figures may not add to totals due to rounding.

Source: Commission estimates.

A.13 Export Market Development Grants scheme

The Export Market Development Grants (EMDG) scheme provides taxable grants for up to 50 per cent of marketing and promotion expenses that firms incur in export markets. The scheme assists small and medium exporters to seek out and develop export markets. There were over 4000 grant recipients in the 2008-09 grant year worth around $185 million (Austrade 2009).

Austrade reports total payments made under the EMDG scheme in each financial year. This figure may include payments made for claims relevant to previous years, as eligible exporters may not make claims under the scheme immediately.

Austrade also provides the Commission with detailed grants data by the ANZSIC system. This information is used to allocate total EMDG funding among the Commission's ANZSIC-based industry groupings (table A.13).

Table A.13 **Allocation of Export Market Development Grants scheme by industry grouping, 2003-04 to 2008-09**

million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Horticulture & fruit growing	1.7	1.4	0.9	0.7	0.9	1.4
Grain, sheep & beef cattle	0.5	0.4	0.4	0.4	0.5	0.6
Dairy cattle farming	<0.1	<0.1	<0.1	0.1	0.1	-
Poultry farming	0.1	<0.1	<0.1	0.1	0.1	0.1
Other livestock farming	0.4	0.5	0.5	0.8	0.5	0.8
Other crop growing	0.2	0.1	0.2	0.4	0.2	0.4
Services to agriculture	0.6	0.1	0.3	0.5	0.5	0.7
Forestry & logging	<0.1	-	<0.1	<0.1	<0.1	<0.1
Fisheries	0.5	0.4	0.5	0.7	0.3	0.5
Mining	1.4	1.4	1.3	2.2	1.6	1.5
Food, beverages & tobacco	11.8	11.6	15.2	15.4	13.7	15.9
Textile, clothing & footwear	4.1	3.5	4.2	4.2	5.3	7.9
Wood & paper products	1.2	0.9	0.8	0.7	1.0	0.9
Printing, publishing & media	3.2	2.2	3.4	0.4	0.7	0.6
Petroleum, coal & chemicals	4.9	4.8	4.5	7.5	7.1	8.1
Non-metallic mineral products	0.7	0.6	0.9	0.7	0.9	0.5
Metal products	2.3	2.0	1.5	2.2	3.3	3.7
Motor vehicles & parts	1.8	1.4	1.5	1.2	1.0	1.6
Other transport equipment	1.8	1.2	1.4	1.4	1.3	1.2
Other machinery & equipment	15.0	12.8	13.2	15.1	13.7	16.2
Other manufacturing	9.4	8.1	6.0	2.7	3.9	6.0
Electricity, gas & water supply	0.3	0.4	0.5	0.8	0.6	0.6
Construction	1.5	1.1	1.2	1.0	1.1	1.6
Wholesale trade	12.4	10.2	11.0	10.8	12.3	14.1
Retail trade	1.1	0.7	1.3	1.7	1.5	2.1
Accommodation, cafes &	7.5	4.7	4.8	4.7	4.1	4.9
Transport & storage	7.6	5.4	5.2	5.8	5.8	5.9
Communication services	1.5	1.7	2.4	17.1	22.2	27.4
Finance & insurance	0.9	0.9	1.3	0.9	0.5	0.9
Property & business services	27.6	24.9	30.3	27.6	26.6	35.3
Government admin. & defence	<0.1	-	-	0.1	0.3	0.4
Education	8.0	6.6	7.0	8.6	8.5	12.1
Health & community services	0.8	1.6	2.0	1.9	1.4	1.8
Cultural & recreational services	12.2	11.3	12.1	5.0	5.5	5.8
Personal & other services	0.7	0.9	1.2	1.8	1.7	2.4
Total	**143.8**	**123.9**	**137.1**	**145.1**	**148.9**	**183.9**

- Nil. Figures may not add to totals due to rounding.

Source: Commission estimates.

A.14 LPG Vehicle Scheme

Introduced in 2006, the LPG (Liquefied Petroleum Gas) vehicle scheme provides funding to support the conversion of private motor vehicles to use LPG. The scheme provides a grant, currently $1500 and scheduled to decline to $1000 by 1 July 2013, for an approved and fitted LPG conversion of an existing registered motor vehicle. Grants of $2000 are also available for the purchase of a new vehicle fitted with LPG prior to its first registration.

For *Trade & Assistance Review 2008-09*, the LPG vehicle scheme has been allocated to *motor vehicle services* activity within the broader *retail trade* industry grouping (table A.14).

Table A.14 **Allocation of LPG Vehicle Scheme by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Retail trade	-	-	-	121.8	163.2	175.8

- Nil.

Source: Commission estimates.

A.15 Cooperative Research Centres

The Cooperative Research Centres (CRC) programme was established by the Australian Government in 1991 and intended 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 (DIISR 2010a).

The CRC programme is administered by the Department of Innovation, Industry, Science and Research. Each year, the Department provides the Commission with funding information for each individual CRC.

In many cases, because of the particular focus of the CRC, an initial benefiting industry is readily identifiable. For example, the Welded Structures CRC has been allocated to the *metal product*s 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 to industry (table A.15a).

The allocation of total CRC funding to the Commission's ANZSIC-based industry groupings is shown in table A.15b.

Table A.15a **Concordance between CRC Program and industry groupings, 2008-09**

CRC Program	*Industry grouping*	*CRC Program*	*Industry grouping*
Advanced Composite Structures	Other transport equipment	Sheep Industry Innovation	Grain, sheep and beef cattle farming
Polymers	Petroleum, coal & chemicals	Innovative Dairy Products	Food, beverages and tobacco
CAST Metals Manufacturing	Metal products	Australian Biosecurity CRC for Emerging Infectious Disease	Not allocated
Rail Innovation	Other transport equipment	Sugar Industry Innovation through Biotechnology	Other crop growing
Advanced Automotive Technology	Motor vehicles and parts	Australian Poultry Industries	Poultry farming
Advanced Manufacturing	Other manufacturing	Innovative Grain Food Products	Unallocated primary production
Smart Services	Communication services	Beef Genetic Technologies	Grain, sheep and beef cattle farming
Capital Markets	Property and business services	Internationally Competitive Pork industry	Other livestock farming
Spatial Information	Property and business services	National Plant Biosecurity	Unallocated primary production
Australasian CRC for Interaction Design	Property and business services	Cotton Catchment Communities	Other crop growing
Integrated Engineering Asset Management	Property and business services	Forestry	Forestry and logging
Mining	Mining	Australian Seafood	Commercial fishing
Greenhouse Gas Technologies	Petroleum, coal & chemicals	Future Farm Industries	Unallocated primary production
Hydrometallurgy	Metal products	Environmental Biotech	Not allocated
Sustainable Resource Processing	Unallocated manufacturing	Antarctic Climate and Ecosystems	Not allocated
Vision	Health and community services	Tropical Savannas Management	Not allocated
Biomarker Translation	Not allocated	Sustainable Tourism	Unallocated services
Aboriginal Health	Not allocated	Bushfire	Not allocated
Oral Health Science	Health and community services	Irrigation Futures	Unallocated primary production
Asthma and Airways	Health and community services	Desert Knowledge	Not allocated
Biomedical Imaging Development	Other machinery and equipment	Contamination Assessment & Remediation	Not allocated
HEARing	Health and community services	eWater CRC	Not allocated
Cancer Therapeutics	Health and community services	Invasive Animals	Not allocated
Molecular Plant Breeding	Unallocated primary production		

Table A.15b **Allocation of Cooperative Research Centres by industry grouping, 2003-04 to 2008-09**

million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Horticulture & fruit growing	4.2	3.7	1.6	-	-	-
Grain, sheep & beef cattle	9.0	8.7	10.7	11.4	13.0	12.4
Poultry farming	3.2	3.5	3.4	3.4	3.4	3.3
Other livestock farming	-	-	3.3	3.6	3.8	4.1
Other crop growing	8.3	6.6	8.1	8.8	9.1	8.6
Forestry & logging	2.6	0.4	2.7	3.3	4.2	4.7
Fisheries	2.7	2.6	2.6	2.6	6.5	5.2
Unallocated primary	19.4	20.8	22.0	23.3	23.8	23.1
Mining	10.2	10.5	10.9	9.3	8.1	3.6
Food, beverages & tobacco	2.7	2.6	2.6	2.6	2.6	0.4
Wood & paper products	6.4	5.4	5.3	3.5	2.3	-
Petroleum, coal & chemicals	12.0	7.3	9.1	9.1	13.9	8.5
Metal products	8.3	7.2	8.0	8.1	8.3	8.6
Motor vehicles & parts	-	-	4.6	5.1	6.5	6.3
Other transport equipment	5.1	4.7	4.3	3.7	5.7	6.9
Other machinery & equipment	14.5	11.7	8.3	5.5	2.5	3.9
Other manufacturing	-	-	-	-	2.5	4.1
Unallocated manufacturing	3.9	4.6	4.0	3.5	3.5	2.6
Electricity, gas & water supply	7.3	6.8	5.6	4.5	4.1	-
Construction	2.6	2.5	2.3	1.8	1.5	-
Communication services	6.0	5.8	4.6	3.5	4.4	4.5
Property & business services	11.4	13.5	12.2	10.3	12.5	7.9
Health & community services	14.1	15.3	19.6	19.0	24.2	19.4
Cultural & recreational services	4.3	4.8	4.7	4.7	3.5	3.1
Total	**158.2**	**149.1**	**160.6**	**150.8**	**170.0**	**141.3**

- Nil. Figures may not add to totals due to rounding.

Source: Commission estimates.

A.16 Farm Management Deposits scheme

The Farm Management Deposits (FMD) scheme allows primary producers to make deposits when surplus funds are available and to withdraw holdings in less successful years. The fully taxable deposits are subject to a withholding tax when withdrawn, but the withholding tax can be varied in times of financial hardship (which may be a result of climatic events or market downturn) (Australian Government 2010, TES Item B 41).

This scheme replaced the Income Equalisation Deposits scheme in June 2000.

The Commission has obtained data from DAFF detailing the level of deposits held under the scheme by ANZSIC industry. This information is used to allocate Treasury estimates of revenue forgone for the scheme (table A.16).

Table A.16 **Allocation of Farm Management Deposits scheme by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Horticulture & fruit growing	24.7	10.1	13.5	10.3	14.4	19.2
Grain, sheep & beef cattle	178.8	67.8	81.7	46.7	64.0	85.4
Dairy cattle farming	12.5	5.6	8.6	4.8	8.3	11.0
Poultry farming	0.5	0.3	0.4	0.3	0.4	0.5
Other livestock farming	12.6	5.0	7.0	4.2	4.7	6.3
Other crop growing	14.0	5.5	7.8	6.7	8.9	11.8
Forestry & logging	0.3	0.1	0.2	1.3	3.0	4.1
Fisheries	1.6	0.6	0.7	0.6	1.3	1.8
Total	**245.0**	**95.0**	**120.0**	**75.0**	**105.0**	**140.0**

Figures may not add to totals due to rounding.

Source: Commission estimates.

A.17 Tourism Australia

Tourism Australia was established in July 2004 following the amalgamation of the Australian Tourism Commission (ATC), the Bureau of Tourism Research, the Tourism Forecasting Council and See Australia Limited. Tourism Australia is responsible for both international and domestic tourism marketing, and the delivery of research, statistics and forecasts for the sector.

Prior to 2004-05, the Commission allocated the Australian Government's appropriation funding of the ATC to 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, a branch within the Department of Resources, Energy and Tourism). 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 ANZSIC-based industry 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.

Beginning with the 2004-05 series of estimates, the allocation methodology was changed. In light of the relatively greater focus of Tourism Australia on encouraging domestic tourism, the Commission intended to draw on a combination of the International Visitor Survey (IVS) and the National Visitor Survey (NVS) to determine benefitting industries. However, the NVS was not available at the time the Commission finalised its estimates for 2004-05. Consequently, at that time, the ATC funding was allocated to the *Unallocated services* grouping. This practice has continued (table A.17).

Table A.17 **Allocation of Tourism Australia by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Unallocated services	97.9	138.4	137.8	133.8	135.8	137.6

Source: Commission estimates.

A.18 Duty Drawback

The Duty Drawback scheme provides refunds of tariff duties and sales tax on goods that have been exported. Duty drawback is not payable on capital equipment, fuel, or chemicals, which are used in the process of producing goods for export. As such, agricultural and mining activities have limited opportunities to use the drawback provisions (ACS 2010).

While the scheme predominately benefits firms in the manufacturing sector, in discussions, Australian Customs Service officers indicated that they are unable to collate the necessary data to allocate this scheme's funding within the manufacturing sector. Accordingly, the scheme has been allocated to the *unallocated manufacturing* grouping (table A.18).

Table A.18 **Allocation of Duty Drawback by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Unallocated manufacturing	105.9	121.1	117.0	103.9	107.2	118.4

Source: Commission estimates.

A.19 Small business capital gains tax exemption for assets held more than 15 years

Under this concession, capital gains arising from the disposal of active small business assets that have been held continuously for 15 years are exempt from capital gains tax. This exemption is available only if the taxpayer is permanently incapacitated or reaches the age of 55 and retires. An eligible small business is one where the net value of assets that the taxpayer and connected entities own is no more than $6 million, or where the aggregated annual turnover is less than $2 million (Australia Government 2010, TES Item C 20).

The Commission has obtained information from the ATO detailing claim data for the concession by ANZSIC industry. The industry shares from the ATO claim data have been used to allocate Treasury estimates of total revenue forgone for the concession to the Commission's ANZSIC-based industry groupings (table A.19).

Table A.19 **Allocation of Small Business capital gains tax exemption for assets held more than 15 years by industry grouping, 2003-04 to 2008-09**

million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Horticulture & fruit growing	-	-	0.1	-	-	-
Grain, sheep & beef cattle	0.6	1.3	2.1	3.7	6.1	7.8
Other crop growing	-	-	-	0.6	0.9	1.2
Metal products	-	0.4	0.3	0.4	0.6	0.8
Other machinery & equipment	-	-	-	0.8	1.4	1.7
Construction	-	0.5	0.3	-	-	-
Wholesale trade	0.4	1.7	1.0	1.5	2.5	3.2
Retail trade	1.1	3.3	4.7	5.4	8.8	11.3
Accommodation, cafes &	-	1.8	-	3.1	5.0	6.5
Transport & storage	-	0.2	1.4	0.9	1.5	1.9
Finance & insurance	6.0	5.3	7.5	14.0	23.0	29.4
Property & business services	1.6	5.7	7.1	8.8	14.4	18.4
Health & community services	0.4	-	0.9	1.7	2.7	3.5
Personal & other services	-	0.1	0.9	1.2	1.9	2.5
Unallocated other	4.8	4.8	8.7	12.9	21.1	27.0
Total	**15.0**	**25.0**	**35.0**	**55.0**	**90.0**	**115.0**

- Nil. Figures may not add to totals due to rounding.

Source: Commission estimates.

A.20 Tasmanian Freight Equalisation Scheme

The Tasmanian Freight Equalisation Scheme (TFES) assists in alleviating the comparative interstate freight cost disadvantage incurred in transporting goods to and from Tasmania by sea.[2] The scheme applies to non-bulk goods produced in Tasmania for use on the mainland and raw material and equipment inputs (of mainland origin) into Tasmania's industries. The scheme selectively benefits firms located in Tasmania.

Tasmanian Assistance Services (TAS) — part of Centrelink — delivers the scheme on behalf of the Department of Infrastructure, Transport, Regional Development and Local Government. Each year, TAS provides the Commission with an industry allocation of TFES payments. Whilst the TAS database is able to identify outbound manufactured goods, it does not distinguish inbound raw materials by industry grouping. The result is that outbound goods are identified and inbound goods have been allocated to the *unallocated manufacturing* grouping (table A.20).

Table A.20 **Allocation of Tasmanian Freight Equalisation Scheme by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Unallocated primary	6.0	9.2	8.4	9.3	11.6	11.3
Food, beverages & tobacco	13.6	15.7	16.8	16.3	17.5	20.0
Textile, clothing & footwear	0.6	0.5	0.5	0.5	0.4	0.6
Wood & paper products	19.5	19.4	21.5	18.8	19.3	23.0
Metal products	2.8	3.7	2.4	2.9	3.4	3.5
Other manufacturing	1.9	2.0	1.4	1.4	1.4	1.7
Unallocated manufacturing	38.0	38.7	40.3	39.4	46.4	48.2
Unallocated other	1.0	0.9	0.9	1.0	1.2	1.2
Total	**83.6**	**90.0**	**92.3**	**89.6**	**101.3**	**109.4**

Figures may not add to totals due to rounding.
Source: Commission estimates.

A.21 Screen Australia

Screen Australia was established on 1 July 2008, replacing the Australian Film Commission, Film Finance Corporation Australia and Film Australia Limited. The main functions of Screen Australia are to support the development, production, promotion and distribution of Australian screen content by:

2 In the event of industrial unrest which prevents sea transportation, the scheme is available for airfreight.

- supporting the production of feature films, documentaries, television drama and children's programs
- supporting the growth of screen businesses
- supporting marketing and screen culture initiatives which focus on engaging audiences with Australian content
- developing high-quality scripts and proposals
- facilitating innovation and audience-engaging online content
- supporting Indigenous talent and distinctive stories
- administering the Government's producer offset and international co-production program to increase the commercial sustainability of production in Australia
- providing data and research to the industry and government
- promoting access to the archives of Australian documentary screen content (SA 2010).

Screen Australia selectively benefits film and screen based service activities and has been allocated under the Commission’s ANZSIC-based industry classification to the broader *Cultural & recreational services* industry grouping (table A.21).

Table A.21 **Allocation of Screen Australia by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Cultural & recreational services	-	-	-	-	-	102.9

- Nil.

Source: Commission estimates.

A.22 TCF Strategic Investment Program Scheme – Post 2005

The TCF Post-2005 Strategic Investment Program (SIP) Scheme was introduced by the Australian Government in 2005-06. The Government’s intention for the scheme was to foster the development of a sustainable and internationally competitive TCF manufacturing and design industry in Australia through the provision of incentives to promote investment and innovation. The scheme provides incentives in the form of grants, paid annually and in arrears, for investment and innovation activities.

The SIP selectively benefits textiles, clothing and footwear activities and has been allocated under the Commission's ANZSIC-based industry classification to the *textiles, clothing & footwear* industry grouping (table A.22).

The SIP is to be replaced by the Clothing and Household Textile (Building Innovative Capability) scheme in 2010-11. Not all activities assisted under the SIP, however, will be eligible under the new scheme.

Table A.22 **Allocation of TCF Strategic Investment Program Scheme – Post 2005, by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Textile, clothing & footwear	-	-	4.3	96.2	97.4	96.5

- Nil.

Source: Commission estimates.

A.23 Austrade

Austrade is the Australian Government's primary export facilitation agency. Austrade's annual 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.

Prior to 2008-09, the Commission had recorded all of the government appropriation funding against the *unallocated other* category. For 2008-09, Austrade provided information about the proportion of its total appropriation pertaining to 'industry assistance' (as distinct from corporate overhead, consular and public diplomatic responsibilities and general policy work). This 2008-09 proportion has been applied to earlier years.

Also for 2008-09, the Commission obtained information on the breakdown of Austrade expenditure by activity in an attempt to concord it with the ANZSIC industry groupings. Austrade, however, indicated that the industry allocations may vary significantly year by year and that it would not be appropriate to apply the 2008-09 pattern to earlier years. Accordingly, the proportion of Austrade appropriation funding considered to provide industry assistance remains allocated to the *unallocated other* grouping (table A.23).

Table A.23 **Allocation of Austrade by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Unallocated other	80.0	78.3	84.3	86.8	85.9	95.7

Source: Commission estimates.

A.24 Income tax averaging provisions for primary producers

This concession allows primary producers to average their income over a five year cycle in order to minimise their tax liability. Primary producers pay tax on their income at the rate of tax applicable to their average income, regardless of whether the average rate is greater or less than ordinary rates (Australian Government 2010, TES Item B 42).

The Commission has obtained information from the ATO detailing claim data for the concession by ANZSIC industry. The industry shares from the ATO claim data have been used to allocate Treasury estimates of total revenue forgone for the concession to the Commission's ANZSIC-based industry groupings (table A.24).

Table A.24 **Allocation of Income tax averaging provisions for primary producers by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Horticulture & fruit growing	15.7	10.4	9.7	9.5	14.9	12.2
Grain, sheep & beef cattle	97.8	61.5	41.8	36.3	57.1	46.7
Dairy cattle farming	8.6	11.4	8.2	4.7	7.4	6.1
Poultry farming	1.3	0.8	0.5	0.5	0.8	0.6
Other livestock farming	5.1	3.0	1.9	2.2	3.4	2.8
Other crop growing	5.0	5.7	7.7	6.2	9.7	7.9
Services to agriculture	6.6	4.0	3.0	2.6	4.1	3.3
Forestry & logging	2.7	2.4	2.0	1.9	3.0	2.4
Fisheries	7.2	5.9	5.3	6.2	9.8	8.0
Total	**150.0**	**105.0**	**80.0**	**70.0**	**110.0**	**90.0**

- Nil. Figures may not add to totals due to rounding.

Source: Commission estimates.

A.25 Commercial Ready program

The Commercial Ready Program (CRP) was introduced in 2004 as part of the 'Backing Australia's Ability' program. 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 replaced 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.

The Commission has obtained data from DIISR detailing the split of CRP funding across ANZSIC industries. This information has been allocated to the Commission's ANZSIC-based industry groupings (table A.25).

The CRP was closed to new applications in May 2008, although existing participants continue to receive funding under the program.

Table A.25 **Allocation of Commercial Ready program by industry grouping, 2003-04 to 2008-09**

million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Horticulture & fruit growing	-	-	1.0	1.3	0.6	0.5
Grain, sheep & beef cattle	-	0.2	-	-	-	-
Other crop growing	-	-	0.1	<0.1	0.6	-
Services to agriculture	-	0.1	1.0	1.1	1.2	0.9
Forestry & logging	-	-	0.6	1.1	0.6	0.4
Fisheries	-	0.1	1.6	3.0	3.4	1.9
Mining	-	0.1	2.4	6.3	9.2	3.7
Food, beverages & tobacco	-	0.1	0.8	1.1	1.6	2.0
Textile, clothing & footwear	-	-	-	-	0.7	0.9
Wood & paper products	-	0.2	-	1.8	2.4	0.4
Printing, publishing & media	-	-	0.1	0.8	11.0	1.1
Petroleum, coal & chemicals	-	0.1	10.6	12.6	9.2	5.9
Non-metallic mineral products	-	-	1.0	1.2	1.2	0.4
Metal products	-	0.1	2.1	3.6	2.4	2.4
Motor vehicles & parts	-	-	1.3	2.2	0.8	0.5
Other transport equipment	-	-	0.1	0.9	0.1	0.3
Other machinery & equipment	-	0.4	14.7	36.5	28.2	17.0
Other manufacturing	-	-	6.4	6.9	8.1	0.9
Electricity, gas & water supply	-	-	0.5	1.1	0.9	0.7
Construction	-	-	-	2.5	1.8	1.8
Wholesale trade	-	-	0.1	0.2	-	1.6
Retail trade	-	-	-	-	-	0.2
Transport & storage	-	-	0.2	0.8	1.3	-
Communication services	-	-	1.2	5.2	2.8	1.8
Finance & insurance	-	-	0.3	1.6	1.8	-
Property & business services	-	0.3	11.4	26.9	23.3	36.2
Education	-	-	-	-	0.1	0.6
Health & community services	-	<0.1	3.5	7.0	7.8	2.3
Cultural & recreational services	-	-	0.2	0.2	0.2	-
Personal & other services	-	-	0.6	0.1	<0.1	<0.1
Unallocated other	-	0.8	1.3	0.4	24.3	0.1
Total	**0.0**	**2.5**	**63.0**	**126.3**	**145.5**	**84.6**

- Nil. Figures may not add to totals due to rounding.

Source: Commission estimates.

A.26 Ethanol production subsidy

To encourage the use of ethanol in transport in Australia, since 2002 the Australian Government has provided a subsidy of 38.143 cents per litre to eligible ethanol producers. Such grants are to be available until 30 June 2011. 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 (AusIndustry 2010a).

The subsidy selectively assists ethanol production activities in the broader *petroleum, coal, chemical and associated products* industry grouping (table A.26).

Table A.26 **Allocation of Ethanol production subsidy by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Petroleum, coal & chemicals	10.8	8.6	15.4	31.9	56.7	79.8

Source: Commission estimates.

A.27 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 (AusIndustry 2010b).

The Commission does not have information on the industry incidence of this scheme and has allocated it to the *unallocated other* grouping (table A.27).[3]

Table A.27 **Allocation of TCF corporate wear program by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Unallocated other	52.2	46.0	50.9	56.4	66.6	74.1

Source: Commission estimates.

3 Prior to 2007-08 the program had been treated as benefiting the TCF industry. The current treatment emerged in light of a more detailed examination of TCF assistance as part of the Commission’s contracted modelling (PC 2008) for the Review of the Australian Textiles, Clothing and Footwear Industries (the so called Green Review — *Building Innovative Capability*).

A.28 TRADEX

The TRADEX scheme provides an up-front exemption from Customs duty (and the Goods and Services Tax (GST)) on imported goods intended for export or to be used as inputs to exports. The scheme provides an alternative to the Customs duty drawback scheme (see A.18, above) which requires an up-front payment of Customs duty and GST and then the subsequent recovery of these taxes when the goods have been exported. Under the TRADEX scheme, goods must be exported within 12 months of importation, although approval can be sought to extend this period (AusIndustry 2010c).

The Commission has obtained data from DIISR detailing the industry incidence and total revenue forgone from the scheme. This information has been used to allocate the revenue forgone from the scheme to the Commission's ANZSIC-based industry groupings (table A.28).

Table A.28 **Allocation of TRADEX by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Horticulture & fruit growing	<0.1	<0.1	-	-	-	-
Dairy cattle farming	-	0.4	0.5	0.6	0.6	0.5
Other crop growing	<0.1	-	-	-	-	-
Services to agriculture	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1
Fisheries	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1
Mining	1.9	0.2	0.5	0.6	0.6	0.5
Food, beverages & tobacco	0.7	1.2	0.8	0.9	0.9	0.8
Textile, clothing & footwear	14.4	8.3	5.9	7.2	7.2	6.1
Wood & paper products	<0.1	0.1	0.6	0.7	0.7	0.6
Printing, publishing & media	0.3	0.2	0.2	0.3	0.3	0.2
Petroleum, coal & chemicals	3.0	2.0	2.1	2.6	2.6	2.2
Non-metallic mineral products	<0.1	0.4	0.2	0.3	0.3	0.2
Metal products	4.1	1.4	1.8	2.2	2.2	1.9
Motor vehicles & parts	74.3	60.5	38.3	46.9	46.8	39.7
Other transport equipment	0.1	0.2	0.2	0.2	0.2	0.2
Other machinery & equipment	3.9	4.3	4.7	5.8	5.7	4.9
Other manufacturing	16.4	4.5	1.9	2.3	2.3	1.9
Electricity, gas & water supply	-	<0.1	0.1	0.1	0.1	0.1
Construction	1.5	<0.1	<0.1	0.0	0.0	<0.1
Wholesale trade	0.9	4.8	2.8	3.5	3.5	2.9
Retail trade	0.2	1.6	3.6	4.4	4.4	3.7
Transport & storage	2.7	1.1	0.4	0.5	0.5	0.5
Communication services	<0.1	<0.1	-	-	-	-
Finance & insurance	0.1	0.1	<0.1	0.0	0.0	<0.1
Property & business services	2.9	0.6	0.4	0.4	0.4	0.4
Government admin. & defence	1.9	0.1	0.2	0.2	0.2	0.2
Health & community services	-	0.2	0.3	0.3	0.3	0.3
Cultural & recreational services	-	<0.1	-	-	-	-
Unallocated other	-	1.5	-	-	-	-
Total	**129.3**	**93.7**	**65.5**	**80.1**	**80.0**	**68.0**

- Nil. Figures may not add to totals due to rounding.

Source: Commission estimates.

A.29 Drought Assistance – Murray Darling Basin Grants to Irrigators

In September 2007, the Australian Government announced a drought assistance package for irrigators, dryland farmers and small businesses severely affected by the drought. As part of the package, grants of up to $20 000 were made available to eligible Murray-Darling Basin irrigation businesses to help implement water management strategies including responses to temporarily reduced water allocations and improvements to on-farm practices to maximise production from the available water (DAFF 2010a).

The grants are targeted towards producers in the primary production sector. The Commission, however, has not been able to determine to what extent each industry grouping benefits. Thus, the program has been assigned to *unallocated primary* production (table A.29).

Table A.29 **Allocation of Drought Assistance – Murray Darling Basin Grants to Irrigators by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Unallocated primary	-	-	-	-	144.3	60.4

- Nil.

Source: Commission estimates.

A.30 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 2007).

The estimated value of assistance provided under the refundable film tax offset comes from annual reports of the Commissioner of Taxation. The offset selectively benefits film production activities. Under the Commission's ANZSIC-based classification, this measure is allocated to the *cultural & recreational services* industry grouping (table A.30).

Table A.30 **Allocation of Refundable tax offset for large scale film production by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Cultural & recreational services	9.0	53.0	22.0	29.0	69.0	43.0

Source: Commission estimates.

A.31 Horticulture Australia Limited – Research and Development

Horticulture Australia comprises two groups — Horticulture Australia Ltd and the Horticulture Australia Council. Horticulture Australia Ltd focuses on marketing and R&D to improve the national and international competitiveness of horticultural producers. The Horticulture Australia Council deals with issues such as food safety and supply chains, and resource issues such as improved systems of water use. These two bodies replaced the Horticultural R&D Corporation and the Australian Horticultural Corporation (HAL 2009).

R&D carried out by HAL is jointly funded by an industry levy and matching Australian Government funding. This funding selectively benefits horticulturalists and has been allocated to the *horticulture and fruit growing* industry grouping (table A.31).

Table A.31 **Allocation of Horticulture Australia Limited – Research and Development by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Horticulture & fruit growing	28.4	32.9	33.6	34.6	34.5	39.8

Source: Commission estimates.

A.32 Remote Renewable Power Generation program

The Renewable Remote Power Generation program provided financial support to increase the use of renewable generation in remote parts of Australia that relied on diesel and other fossil fuels for electricity supply. The program comprised two sub-programs:

- the Residential and Medium-scale program which provided rebates for households, communities, not-for-profit, business, government and other organisations, to support the installation of renewable generation systems in areas which were not close to the electricity grid; and
- the Renewable Energy Water Pumping program which provided rebates for business, government and other incorporated organisations, to support the installation of renewable energy water pumping systems in areas which were not close to the electricity grid (DCCEE 2010).

The Renewable Remote Power Generation program was closed to new applicants in 2009.

Funding from the program has been allocated to the *electricity, gas & water supply* industry in the Commission's ANZSIC-based industry groupings (table A.32).

Table A.32 **Allocation of Remote Renewable Power Generation Program by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Electricity, gas & water supply	-	-	28.7	13.8	29.9	39.1

- Nil.

Source: Commission estimates.

A.33 Grains Research and Development Corporation

The Grains Research and Development Corporation (GRDC) is a Commonwealth statutory authority. The GRDC's objective is to combine the funding resources of individual grain producers in order to encourage investment in grain industry research. A levy is applied to most grains (around 1 per cent of farm gate value), and the Australian Government matches the research funds raised (GRDC 2009).

The Australian Government contribution is targeted assistance for the grains industry, and thus is allocated to the *grain, sheep and beef cattle farming* industry grouping (table A.33).

Table A.33 **Allocation of Grains Research and Development Corporation by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Grain, sheep & beef cattle	42.4	35.7	43.1	35.8	28.9	36.9

Source: Commission estimates.

A.34 Tasmanian Community Forest Agreement

In May 2005, the Australian and Tasmanian Governments announced a joint funding package for the implementation of the Tasmanian Forest Community Agreement. Among other things, the agreement reserves over 170 000 hectares of forests on public and private land for environmental conservation. Additional measures include an end to the conversion of native forest to plantations on public land by 2010 and the phasing out of the clearing of native forest on private land over ten years. Over $250 million in funding has been committed to the agreement (Howard 2005).

Under the package, measures to support the forest-based industries under the agreement include:

- *Intensive Forest Management Program* — $115 million to establish additional plantations and improve productivity (through pruning, thinning and fertilising) in existing plantations and native forests. The measure is intended to ensure the long term supply of sawlogs and veneer logs.
- *Hardwood Timber Industry* — $46 million to support the Tasmanian hardwood timber industry.
- *Tasmanian Softwood Industry Development Program* — $10 million to assist the Tasmanian softwood industry to establish a facility for preserving pine and to phase out the use of copper chrome arsenate.
- *Special Species and Honey Producers* — $11 million to support "special species" timber and the leatherwood honey industry.
- *Training and skills development* — $4 million to support training and skills development of workers in the Tasmanian forest-based industries (Howard and Lennon 2005).

The Tasmanian Community Forest Agreement is considered to (predominantly) benefit firms in the timber industry has been allocated to the *wood & paper products* industry in the Commission's ANZSIC-based industry groupings (table A.34).

Table A.34 **Allocation of Tasmanian Community Forest Agreement by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Wood & paper products	-	-	-	-	26.0	35.3

- Nil.

Source: Commission estimates.

A.35 Caring for Our Country – Landcare

In March 2008, the Australian Government announced that it would commit around $2 billion over five years in natural resource and environmental management through the *Caring for Our Country* program. The program is intended to provide a coordinated approach to environmental management in Australia supported by transparent and consistent national five-year objectives. The program combines previous Australian Government natural resource management programs including: the Natural Heritage Trust; the National Landcare program; the Environmental Stewardship program; and the Working on Country program (Garrett and Burke 2008).

Six priority areas have been identified to receive funding under the program:

- Australia's National Reserve System;
- biodiversity and natural icons;
- coastal environments and critical aquatic habitats;
- sustainable farm practices;
- natural resource management in remote and northern Australia; and
- community skills, knowledge and engagement.

The program primarily benefits the primary production sector, however, the Commission has not been able to determine to what extent each industry grouping benefits. Thus, the program has been assigned to *unallocated primary production* (table A.35).

Table A.35 **Allocation of Caring for Our Country – Landcare by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Unallocated primary	-	-	-	-	9.0	35.2

- Nil.

Source: Commission estimates.

A.36 Bass Straight Passenger Vehicle Equalisation scheme

The Bass Strait Passenger Vehicle Equalisation scheme was introduced in 1996 and provides a partial rebate of the cost of sea travel across Bass Strait for passengers accompanying an eligible vehicle. The rebate is provided to the driver of an eligible passenger vehicle in the form of a reduced fare charged by a service operator. The service operator is reimbursed by the Australian Government for the total rebate provided to eligible passengers. The scheme provides assistance for around 200 000 eligible vehicle crossings annually and is also uncapped with no upper limit to the total annual payment (DIT 2010).

The Bass Strait Passenger Vehicle Equalisation scheme is considered to initially benefit transport services activities. Accordingly, the scheme has been allocated to the *transport & storage* industry in the Commission's ANZSIC-based industry groupings (table A.36).

Table A.36 **Allocation of Bass Straight Passenger Vehicle Equalisation scheme by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Transport & storage	31.8	32.4	31.1	28.4	30.1	35.1

Source: Commission estimates.

A.37 Meat and Livestock Australia – Research and Development

Meat & Livestock Australia (MLA) provides R&D and marketing services to the Australian red meat industry. MLA is a producer-owned company that works in partnership with industry and government to achieve a profitable and sustainable red meat and livestock industry. MLA is jointly funded through Australian Government appropriations and industry levies (MLA 2010).

R&D carried out by the MLC selectively assists livestock farming which is mostly located within the *grain, sheep and beef cattle* industry in the Commission's ANZSIC-based industry groupings (table A.37).

Table A.37 **Allocation of Meat and Livestock Australia – Research and Development by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Grain, sheep & beef cattle	32.8	39.0	40.3	35.7	34.5	31.4

Source: Commission estimates.

A.38 ICT Centre of Excellence

In 2002, the Australian Government selected National Information and Communication Technologies (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 (DBCDE 2010).

NICTA was initially funded with $129.5 million over five years (from 2001-2006) under the Australian Government’s 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). Additional funding of $185.5 million was announced in the 2009-10 Budget to extend NICTA's operation for a further four years to 2014-15.

For *Trade & Assistance Review 2008-09*, the ICT Centre of Excellence has been allocated to the *communications services* industry in the Commission’s ANZSIC-based industry groupings (table A.38).

Table A.38 **Allocation of ICT Centre of Excellence by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Communication services	11.3	17.2	23.5	24.0	26.8	27.3

Source: Commission estimates.

A.39 Tax deduction for conserving or conveying water

Capital expenditures on facilities for conserving or conveying water may be claimed as a tax deduction or a rebate over three years if incurred as part of carrying on a business of primary production. The deduction or rebate may be claimed for such things as dams, tanks, bores, wells, irrigation channels or similar improvements, pipes, pumps, water towers, and windmills (Australian Government 2010, TES Item B 78).

The Commission has obtained information from the ATO detailing claim data for the concession by ANZSIC industry. The industry shares from the ATO claim data have been used to allocate Treasury estimates of total revenue forgone for the concession to the Commission's ANZSIC-based industry groupings (table A.39).

Table A.39 **Allocation of tax deduction for conserving or conveying water by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Horticulture & fruit growing	6.9	7.5	5.0	2.5	2.5	2.5
Grain, sheep & beef cattle	11.2	7.3	8.8	11.1	11.1	11.1
Dairy cattle farming	0.4	0.7	1.2	1.2	1.2	1.2
Poultry farming	<0.1	0.1	0.2	0.2	0.2	0.2
Other livestock farming	0.8	0.2	0.3	0.4	0.4	0.4
Other crop growing	5.4	2.7	2.9	3.3	3.3	3.3
Services to agriculture	0.3	0.7	1.5	0.9	0.9	0.9
Forestry & logging	0.1	0.8	0.1	0.3	0.3	0.3
Fisheries	-	-	<0.1	-	-	-
Total	**25.0**	**20.0**	**20.0**	**20.0**	**20.0**	**20.0**

- Nil. Figures may not add to totals due to rounding.

Source: Commission estimates.

A.40 High Costs Claims scheme

The High Costs Claims (HCC) scheme reimburses medical indemnity insurers for 50 per cent of the cost of insurance payouts, for claims over $300 000 and up to the limit of the practitioner's cover, for claims notified on or after 1 January 2004. The scheme forms part of a broader package of medical indemnity arrangements introduced by the Australian Government in 2002 (DHA 2010a).

The HCC scheme selectively benefits insurance activities and has been allocated to the *finance & insurance* industry in the Commission's ANZSIC-based industry groupings (table A.40).

Table A.40 **Allocation of High Costs Claims scheme by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Finance & insurance	-	0.4	0.1	8.8	3.2	19.5

- Nil.

Source: Commission estimates.

A.41 Dairy Australia – Research and Development

Dairy Australia is a national service company that operates on behalf of the Australian dairy industry and whose members are dairy farmers and industry bodies. Dairy Australia is jointly funded by an industry levy and matching Australian Government contributions (DA 2009).

R&D carried out by Dairy Australia selectively assists the *dairy cattle farming* industry and the Australian Government contribution has been allocated to this industry grouping in the Commission's ANZSIC-based industry classification (table A.41).

Table A.41 **Allocation of Dairy Australia – Research and Development by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Dairy cattle farming	15.4	14.5	15.4	16.0	18.3	19.2

Source: Commission estimates.

A.42 Renewable Energy Development Initiative

The Renewable Energy Development Initiative (REDI) program was introduced in 2003 and was a competitive, merit-based grants program supporting renewable energy technology products, processes or services with strong early stage commercialisation and emissions reduction potential. The program provided matching grants from $50 000 up to $5 million for eligible projects extending up to three years (DIISR 2010b).

The program was closed to new grants in April 2008.

The DIISR has provided the Commission with information on the industry incidence of REDI funding by the ANZSIC industry classification. The industry shares data is used to allocate total REDI program funding, derived from DIISR's annual report, across the Commission's ANZSIC-based industry groupings (table A.42).

Table A.42 **Allocation of Renewable Energy Development Initiative by industry grouping, 2003-04 to 2008-09**

million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Mining	-	-	-	0.3	0.5	0.8
Food, beverages & tobacco	-	-	-	0.8	-	1.8
Petroleum, coal & chemicals	-	-	-	-	1.6	0.7
Non-metallic mineral products	-	-	-	-	4.9	-
Other machinery & equipment	-	0.2	0.2	1.1	1.9	0.2
Other manufacturing	-	-	-	0.5	0.7	-
Electricity, gas & water supply	-	2.2	3.3	5.0	1.8	6.1
Property & business services	-	0.2	0.3	1.1	1.0	8.8
Personal & other services	-	-	-	0.7	1.5	-
Unallocated other	-	-	-	-	3.4	-
Total	**0.0**	**2.6**	**3.8**	**9.5**	**17.2**	**18.3**

- Nil. Figures may not add to totals due to rounding.

Source: Commission estimates.

A.43 Exemption of refundable film tax offset payments

The refundable tax offset for large scale film production provides a financial incentive for film production to be undertaken in Australia. Payments made under the scheme (see Annex item A.30) are exempt from tax (Australian Government 2010, TES Item B 29).

The refundable film tax offset selectively benefits film production activities. Under the Commission's ANZSIC-based classification, this measure is allocated to the *cultural & recreational services* industry grouping (table A.43).

Table A.43 **Allocation of Exemption of refundable film tax offset payments by industry grouping, 2003-04 to 2008-09**

million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Cultural & recreational services	3.0	16.0	7.0	10.0	3.0	18.0

Source: Commission estimates.

A.44 Drought Assistance – Re-establishment Assistance

In September 2007, the Australian Government announced a drought assistance package for irrigators, dryland farmers and small businesses severely affected by the drought. As part of the package, an exit grant of up to $150 000 was made available for farmers who had decided to leave the land together with an increase in the assets limit to access this grant to $350 000. In addition, further amounts of $10 000 were made available for farmers who had successfully applied for the EC exit grant to obtain advice and retraining to assist in preparing for the transition away from farming, and to assist with relocation (Howard 2007).

The assistance from the drought package is targeted towards producers in the primary production sector. It has not been possible, however, to determine to what extent each industry grouping benefits. Thus, the program has been assigned to *unallocated primary* production grouping in the Commission's ANZSIC-based industry classification (table A.44).

Table A.44 **Allocation of Drought Assistance – Re-establishment Assistance by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Unallocated primary	-	-	-	-	4.6	17.6

- Nil.

Source: Commission estimates.

A.45 Sustainable Rural Water Use and Infrastructure program

The Sustainable Rural Water Use and Infrastructure (SRWUI) program was introduced in May 2008 and formed part of the Australian Government's $12.9 billion *Water for the Future* initiative. Funding of $5.8 billion has been committed to the program which is intended to increase water use efficiency in rural Australia. This funding will be directed towards projects that:

- deliver substantial and lasting returns of water for the environment; and
- secure a long-term future for irrigation communities (DSEWPC 2010a).

The program is also intended to assist irrigation communities make early adjustments in anticipation of the Murray-Darling Basin cap on water extractions.

The SRWUI program selectively benefits activities in the primary production sector. The Commission, however, has been unable to obtain any more specific information on the industry incidence of the program and funding has been subsequently allocated to the *unallocated primary* production grouping in the Commission's ANZSIC-based industry classification (table A.45).

Table A.45 **Allocation of Sustainable Rural Water Use and Infrastructure program by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Unallocated primary	-	-	-	-	0.1	17.3

- Nil.

Source: Commission estimates.

A.46 Fisheries Structural Adjustment Package

In 2005, the Australian Government announced the *Securing Our Fishing Future* package, which contained three sets of measures intended to ensure the ongoing profitability and sustainability of the Australian fishing industry. One of these measures, the Fisheries Structural Adjustment (FSA) package, comprised funding of $220 million to provide assistance through the following programs:

- *Business Exit Assistance* — $149 million to provide a one-off opportunity for operators to exit the industry.
- Funding of up to $30 million for:
  - *Business Restructuring Assistance* — Assistance for businesses which are directly related to the fishing industry, such as fish processors and marine engineers, to restructure their business operations.
  - *Business Planning Assistance* — Up to $1500 each for fishing businesses and directly affected onshore businesses to offset the costs of obtaining professional business advice on their options under the package.
  - *Worker Assistance* — Payments of $5000 and $3000 available to skippers and crew, respectively, who lose employment due to the fishing reductions.
- *Fishing Community Assistance* — Funding of up to $20 million for projects that generate local economic activity and opportunities in affected communities.
- *AFMA Levy Subsidy* — $15 million to subsidise AFMA fisheries management fees paid by those fishers remaining in the industry.

- *Improved Science, Compliance and Data Collection* — \$6 million towards science, compliance and data collection to improve management outcomes (Macdonald 2005a, 2005b).

Funding for the package predominantly benefits the fishing industry and is allocated to *fisheries* in the Commission's ANZSIC-based industry groupings (table A.46).

Table A.46 **Allocation of Fisheries Structural Adjustment Package by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Fisheries	-	-	1.3	159.9	25.3	16.7

- Nil.

Source: Commission estimates.

A.47 Rural Industries Research and Development Corporation

The Rural Industries Research and Development Corporation (RIRDC) is a statutory authority established by the *Primary Industries and Energy Research and Development Act 1989*. The Corporation was established by the Australian Government to work with industry to invest in R&D for a more profitable, sustainable and dynamic rural sector. The Australian Government's intention for the RIRDC is to achieve results from R&D investments in three broad areas:

- new rural industries;
- specific established rural industries; and
- national rural issues.

The RIRDC allocates funding to several 'programs', such as 'emerging plant industries and products', 'fodder crops' and 'chicken meat'. While these programs are not classified by ANZSIC industry, a concordance has been developed to the Commission's ANZSIC-based classification system. Some programs (such as chicken meat) are likely to assist a single industry and can be easily concorded, however some other programs (such as farm diversification) are likely to assist several industries and cannot be easily concorded. Such programs have been assigned to *unallocated primary* production grouping (RIRDC 2010).

The RIRDC receives funding from several sources including government contributions (classified as assistance), industry levies (not assistance) and external contributions (not assistance). Government contributions have been allocated to the Commission's ANZSIC-based industry groupings according to the total funding to each RIRDC program. Such an approach assumes that each program is funded by a similar mix of government and nongovernment funding (table A.47).

Table A.47 **Allocation of Rural Industries Research and Development Corporation by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Horticulture & fruit growing	2.0	1.9	2.3	2.3	2.5	2.8
Grain, sheep & beef cattle	2.6	2.2	1.8	2.4	1.7	1.0
Poultry farming	2.0	2.1	2.0	1.8	2.3	2.9
Other livestock farming	1.1	1.2	1.2	1.8	2.4	2.1
Other crop growing	0.7	0.6	0.8	0.8	0.9	0.8
Forestry & logging	1.7	1.3	1.8	1.0	0.9	1.1
Unallocated primary	4.8	5.2	5.4	5.8	5.4	5.9
Total	**14.9**	**14.7**	**15.4**	**15.9**	**16.1**	**16.5**

Figures may not add to totals due to rounding.

Source: Commission estimates.

A.48 Fisheries Research and Development Corporation

The Fisheries Research and Development Corporation (FRDC) is a statutory authority established in 1991 under the *Primary Industries and Energy Research and Development Act 1989*. The FRDC funds research projects in the areas of resources sustainability, ecosystems protection, and industry development. The FRDC receives Australian Government funding equivalent to 0.5 per cent of industry gross value of production (GVP). In addition, the Australian Government matches dollar-for-dollar income raised from production levies.

Funding for the FRDC selectively assists fishing industry activities, which is classified to *fisheries* in the Commission's ANZSIC-based industry groupings (table A.48).

Table A.48 **Allocation of Fisheries Research and Development Corporation by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Fisheries	17.7	16.9	16.0	16.0	16.3	16.3

Source: Commission estimates.

A.49 Premium Support scheme

The Premium Support (PS) scheme assists eligible doctors with the costs of their medical indemnity insurance by reducing the level of premiums charged by their (medical indemnity) insurers. Under the scheme, where a doctor's gross medical indemnity costs exceed 7.5 per cent of income then the doctor will only pay 20 cents in the dollar for the cost of the premium beyond that threshold limit. Payments under the scheme commenced in mid-2004 ((DHA 2010b).

The PS scheme selectively benefits doctors providing health services and has been allocated to the *health & community services* industry grouping in the Commission's ANZSIC-based industry classification (table A.49).

Table A.49 **Allocation of Premium Support scheme by industry grouping, 2003-04 to 2008-09**

million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Health & community services	-	24.4	17.1	50.0	23.5	16.1

- Nil.

Source: Commission estimates.

A.50 Pharmaceuticals Partnerships 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 was 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.

Payments under PPP made to selected pharmaceutical and biotechnology firms have been allocated to the *petroleum, coal, chemical and associated products* industry grouping while other payments under the program have been allocated to *unallocated other* grouping (table A.50). The PPP concluded on 30 June 2009.

Table A.50 **Allocation of Pharmaceuticals Partnerships Program by industry grouping, 2003-04 to 2008-09**

million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Petroleum, coal & chemicals	-	4.2	12.4	18.4	18.5	8.1
Unallocated other	-	-	-	-	16.6	7.3
Total	**0.0**	**4.2**	**12.4**	**18.4**	**35.1**	**15.4**

- Nil. Figures may not add to totals due to rounding.

Source: Commission estimates.

A.51 Tasmanian Forest Tourism initiative

The Tasmanian Forest Tourism (TFT) initiative provides funding for the development of environmentally sensitive tourism infrastructure in Tasmania. The principal aims of the initiative are to:

- protect and promote conservation values;
- develop environmentally sensitive tourism infrastructure;
- provide experiences that appeal to a broad range of visitors; and
- promote long-term economic benefits from tourism (DSEWPC 2010b).

The TFT initiative selectively benefits activities providing tourism services. The Commission, however, has been unable to obtain any further specific information on the industry incidence of the program and funding has been subsequently allocated to the *unallocated services* grouping in the Commission's ANZSIC-based industry classification (table A.51).

Table A.51 **Allocation of Tasmanian Forest Tourism initiative by industry grouping, 2003-04 to 2008-09**

million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Unallocated services	-	-	-	-	-	15.2

- Nil.

Source: Commission estimates.

A.52 Capital expenditure deduction for mining, quarrying and petroleum operations

Under the scheme, certain capital expenditures incurred in carrying on a prescribed mining, petroleum or quarrying operation can be deducted over the lesser of either the life of the project or 10 years (20 years for quarrying). The deduction is available for expenditure incurred before 1 July 2001 or expenditure relating to a depreciating asset acquired before 1 July 2001 (excluding plant and equipment). Expenditure incurred on or after 1 July 2001 can be deducted over the life of the project (Australian Government 2010, TES Item B 82).

The scheme selectively benefits activities in the mining sector. The Commission has therefore allocated total revenue forgone from this concession to the *mining* industry in the Commission's ANZSIC-based industry groupings (table A.52).

Table A.52 **Allocation of Capital expenditure deduction for mining, quarrying and petroleum operations by industry grouping, 2003-04 to 2008-09**

million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Mining	20.0	30.0	25.0	25.0	20.0	15.0

Source: Commission estimates.

A.53 Rural Financial Counselling Service

The Rural Financial Counselling Service (RFCS) provides grants to state and regional organisations to provide free financial counselling services to primary producers, fishermen and small rural businesses. There are currently 14 service providers employing more than 110 rural financial counsellors across Australia. The RFCS program is funded by the Australian and State Governments, who have committed funding until June 2011 (DAFF 2010b).

The Department of Agriculture, Fisheries and Forestry (DAFF) provides the Commission with data on the numbers of businesses using the service in each ANZSIC industry. This information has been used to allocate total funding for the program, as reported in the DAFF annual report, to the Commission's ANZSIC-based industry groupings (table A.53).

Table A.53 **Allocation of Rural Financial Counselling Service by industry grouping, 2003-04 to 2008-09**

million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Horticulture & fruit growing	1.0	0.7	0.7	1.1	2.0	2.1
Grain, sheep & beef cattle	2.0	1.9	2.5	5.7	6.1	6.6
Dairy cattle farming	0.6	0.4	0.4	1.4	1.7	1.9
Poultry farming	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1
Other livestock farming	0.4	0.3	0.3	0.2	0.2	0.2
Other crop growing	0.1	0.1	0.1	0.7	0.6	0.7
Forestry & logging	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1
Fisheries	0.1	0.1	0.1	0.1	0.1	0.1
Unallocated primary	1.2	1.0	1.0	2.1	2.8	3.0
Food, beverages & tobacco	0.2	0.2	0.3	-	-	-
Total	**5.5**	**4.6**	**5.7**	**11.3**	**13.5**	**14.7**

- Nil. Figures may not add to totals due to rounding.

Source: Commission estimates.

A.54 Regional Partnerships Program

The Regional Partnerships Program commenced on 1 July 2003 and provides funding for projects that are able to demonstrate that they can contribute to the objectives of strengthening growth and opportunities, improving access to services, supporting planning, and assisting structural adjustments for communities affected by major economic, social or environmental change.

The range of projects funded includes community services (activities and facilities supported by non-profit organisations); regional tourism (business and skills planning and development); civic and community infrastructure works; commercialisation of new and emerging technologies; the initiation of new businesses or growth of existing businesses; and 'industry assistance' measures. Applicants and their other project partners (if any) are expected to make a financial contribution to the cost of the project.

The Commission has been unable to determine the industry incidence of the program and funding has been subsequently allocated to the *unallocated other* grouping in the Commission's ANZSIC-based industry classification (table A.54).

Table A.54 **Allocation of Regional Partnerships Program by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Unallocated other	27.6	30.4	26.8	17.3	18.6	14.5

- Nil.

Source: Commission estimates.

A.55 Drought Assistance – Professional Advice

In September 2007, the Australian Government announced a drought assistance package for irrigators, dryland farmers and small businesses severely affected by the drought. As part of the package, funding was proved for additional rural financial counsellors, Centrelink rural support officers and social workers. Further social and emotional counselling was provided through the establishment of 25 family support drought response teams (Howard 2007).

The grants are targeted towards activities in the primary production sector, however, the Commission has not been able to determine to what extent each industry grouping benefits. Thus, the program has been assigned to the *unallocated primary* production grouping in the Commission's ANZSIC-based industry classification (table A.55).

Table A.55 **Allocation of Drought Assistance – Professional Advice by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Unallocated primary	-	-	-	-	6.2	14.2

- Nil.

Source: Commission estimates.

A.56 Indigenous Broadcasting Program

The Indigenous Broadcasting program supports Indigenous community radio broadcasting and provides financial assistance to address the broadcasting needs of Indigenous people living in remote, regional and urban areas in Australia (DPMC 2010).

The funding has been recorded against the *unallocated other* grouping (table A.56).

Table A.56 **Allocation of Indigenous Broadcasting Program by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Unallocated other	-	12.8	13.3	13.6	14.0	13.9

- Nil.

Source: Commission estimates.

A.57 Land and Water Australia – Research and Development

Land and Water Australia (LWA – formerly Land and Water Resources Research and Development Corporation) carries out research and development activities into land and water issues. According to LWA (2011), through targeted and managed research LWA aims to:

- generate knowledge to improve Australian farming systems and profitability;
- improve the way Australia's natural resources are managed for sustainability;
- inform large public investments in natural capital; and
- help governments balance competing demands on natural resources and rural landscapes.

While LWA projects assist the primary production sector, the nature of the projects mean that the benefits are likely to accrue to several industries. The Commission has been unable to allocate this assistance to individual industries. Funding for LWA is thus assigned to the *unallocated primary* production grouping in the Commission's ANZSIC-based industry classification (table A.57).

Table A.57 **Allocation of Land and Water Australia – Research and Development by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Unallocated primary	12.2	12.5	12.5	12.8	13.0	13.0

Source: Commission estimates.

A.58 Small Business Advisory Services Program

In the 2008 Budget, the Australian Government announced the provision of $42 million over four years to fund 36 nominated Business Enterprise Centres (BECs) to deliver low-cost small business advisory services (Emerson 2008a). The Government subsequently increased funding by $4 million to provide additional support and advisory services in the 2009 calendar year in response to the global financial crisis (Emerson 2008b).

The Commission has been unable to determine the industry incidence of the program and funding has been subsequently allocated to the *unallocated other* grouping in the Commission's ANZSIC-based industry classification (table A.58).

Table A.58 **Allocation of Small Business Advisory Services Program by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Unallocated other	-	-	-	-	-	11.9

- Nil.

Source: Commission estimates.

A.59 Grape and Wine Research and Development Corporation

The Grape and Wine Research and Development Corporation (GWRDC) is a statutory authority established in 1991 under the *Primary Industries and Energy Research and Development Act 1989*. The GWRDC aims to support the development of the Australian wine industry by planning and funding collective R&D programs and then facilitating the dissemination, adoption and commercialisation of the results throughout the industry (GWRDC 2011).

The GWRDC is jointly funded by an industry levy and Government contributions and selectively assists activities in the viticulture industry, which is part of *horticulture and fruit growing* industry under the Commission's ANZSIC-based industry groupings (table A.59).

Table A.59 **Allocation of Grape and Wine Research and Development Corporation by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Horticulture & fruit growing	6.9	8.1	12.0	14.5	11.4	11.7

Source: Commission estimates.

A.60 Australian Wool Innovation Limited – Research and Development

Australian Wool Innovation (AWI) is a private company which is wholly owned by Australian Wool Services Ltd (AWS). AWS was established in January 2001 and is owned and controlled by Australian wool growers. It replaced the Australian Wool Research & Promotion Organisation (AWRAP) which was a Commonwealth statutory authority. AWI is jointly funded by industry levies and Government contributions.

AWI's aim is to fund research, development, marketing and promotion in order to:

- enhance the profitability, international competitiveness and sustainability of the Australian wool industry; and
- increase demand and market access for Australian wool (AWI 2011).

AWI activities assists wool producing activities which are part of the *grain, sheep and beef cattle* farming industry in the Commission's ANZSIC-based industry groupings (table A.60).

Table A.60 **Allocation of Australian Wool Innovation Limited – Research and Development by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Grain, sheep & beef cattle	14.1	13.5	11.0	11.6	12.3	11.4

Source: Commission estimates.

A.61 Commercialising Emerging Technologies

The COMET program assists the commercialisation of new technologies and products that are developed by individuals, small Australian companies and researchers in universities. Eligible innovators receive financial assistance and business advice and services for marketing and business planning to develop and commercialise a product.

The Commission has obtained information from the Department of Innovation, Industry, Science and Research (DIISR) detailing expenditure data for the COMET program by ANZSIC industry. These industry shares have been used to allocate total funding for the COMET program, derived each year from their annual report, to the Commission's ANZSIC-based industry groupings (table A.61).

In May 2009, the Australian Government announced that it would replace the COMET program (and other programs) with the establishment of Commercialisation Australia (CA). Commencing in early 2010, CA will provide funding of around $200 million over four years with the aim of converting intellectual property into successful commercial ventures (Carr 2009a).

Table A.61 **Allocation of Commercialising Emerging Technologies by industry grouping, 2003-04 to 2008-09**

million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Horticulture & fruit growing	<0.1	0.1	0.0	0.1	<0.1	<0.1
Grain, sheep & beef cattle	<0.1	-	0.1	<0.1	0.1	<0.1
Other crop growing	0.0	<0.1	<0.1	-	0.1	0.2
Services to agriculture	0.1	0.2	0.3	0.1	0.1	0.1
Forestry & logging	0.0	<0.1	-	-	-	-
Fisheries	0.1	0.1	0.1	0.1	0.1	-
Mining	0.2	0.2	0.1	0.1	0.1	0.1
Food, beverages & tobacco	<0.1	<0.1	<0.1	<0.1	0.1	0.1
Textile, clothing & footwear	0.1	<0.1	<0.1	<0.1	<0.1	<0.1
Wood & paper products	0.1	<0.1	-	<0.1	0.1	<0.1
Printing, publishing & media	0.0	<0.1	<0.1	0.2	0.2	<0.1
Petroleum, coal & chemicals	0.5	0.2	0.2	0.3	0.6	0.5
Non-metallic mineral products	0.1	-	<0.1	0.1	0.5	0.2
Metal products	0.1	0.1	0.4	0.3	0.5	0.3
Motor vehicles & parts	0.2	0.1	0.0	0.1	0.4	0.2
Other transport equipment	0.2	0.2	0.0	<0.1	0.2	0.2
Other machinery & equipment	1.2	1.4	1.4	1.6	2.2	1.8
Other manufacturing	0.8	0.9	0.7	0.6	0.7	0.3
Electricity, gas & water supply	0.3	0.2	0.2	0.2	0.7	0.6
Construction	0.1	0.2	0.2	0.2	0.3	0.0
Wholesale trade	0.2	0.1	0.1	0.1	0.3	0.2
Retail trade	<0.1	-	<0.1	0.1	0.2	0.1
Transport & storage	0.2	0.2	0.2	0.1	0.1	0.1
Communication services	0.4	0.6	0.5	0.6	1.1	1.2
Finance & insurance	0.2	0.1	0.2	0.1	0.1	0.2
Property & business services	2.9	2.3	2.6	3.6	6.5	3.9
Government admin. & defence	<0.1	0.1	-	0.1	0.1	<0.1
Education	0.2	0.1	0.3	0.2	0.3	0.2
Health & community services	0.3	0.2	0.6	0.5	1.5	0.4
Cultural & recreational services	0.0	0.2	0.1	0.2	0.4	0.1
Personal & other services	-	0.1	0.1	0.1	<0.1	0.1
Unallocated other	-	<0.1	-	-	-	0.1
Total	**8.6**	**7.9**	**8.4**	**9.7**	**17.7**	**11.3**

- Nil. Figures may not add to totals due to rounding.

Source: Commission estimates.

A.62 Pooled Development Funds

Concessional tax treatment is available to investment companies that are established and registered as Pooled Development Funds (PDF). The program was established in 1992 and intended to encourage investment in SMEs. The program closed for registration in 2007 though continues to operate for existing PDFs. 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 (Australian Government 2010, TES Item B 56). Related Annex items are A.63 and A.114.

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

For *Trade & Assistance Review 2008-09*, assistance under the scheme has been allocated to the *finance and insurance* industry in the Commission's ANZSIC-based industry groupings (table A.62).

Table A.62 **Allocation of Pooled Development Funds by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Finance & insurance	7.0	9.0	7.0	9.0	12.0	11.0

Source: Commission estimates.

A.63 Venture Capital Limited Partnerships

Since 2002 a capital gains tax concession has been available to venture capital managers for 'carried interests' (Australian Government 2010, TES Item B 53). Venture capital managers may be paid a performance-based share of partnership profits by investors — such payments are 'carried interests'. (Related Annex items are A.62 and A.114).

Venture Capital Limited Partnerships (VCLP) raise capital and make investments in relatively high-risk 'start-up' and expanding Australian companies. 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 2008-09*, the Commission has included the funding as assistance to the *finance and insurance* industry in the Commission's ANZSIC-based industry groupings (table A.63).

Table A.63 **Allocation of Venture Capital Limited Partnerships by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Finance & insurance	3.0	35.0	9.0	10.0	10.0	11.0

Source: Commission estimates.

A.64 Climate Change Adaption Partnerships Program

In May 2008, the Australian Government announced the Australia's Farming Future (AFF) program with funding of $130 million over four years. The program, which commenced in July 2008, is intended to assist primary producers in adapting and responding to climate change. It consists of a number of elements including the Climate Change Adaption Partnerships Program. Other elements of the AFF program includes the Climate Change Research and Productivity Program (see Annex item A.66), Climate Change Adjustment Program and Community Networking and Capacity Building (Burke 2008a).

The Government's intended aim for the Climate Change Adaption Partnerships Program (CCAPP) is to:

- develop mitigation and adaptation measures through collaboration with research and farming organisations; and
- increase awareness among primary producers of options for responding to climate change and improving on-farm strategies.

The CCAPP selectively benefits firms in the primary production sector. The Commission, however, has been unable to obtain any further specific information on the industry incidence of the program and funding has been subsequently allocated to the *unallocated primary* production grouping in the Commission ANZSIC-based industry classification (table A.64).

Table A.64 **Allocation of Climate Change Adaption Partnerships Program by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Unallocated primary	-	-	-	-	-	10.1

- Nil.

Source: Commission estimates.

A.65 National Urban Water and Desalination Plan

The National Urban Water and Desalination Plan (NUWDP) was introduced in May 2008 and formed part of the Australian Government's $12.9 billion *Water for the Future* initiative. Around $1 billion has been committed to the plan which will be used to fund projects that use desalination, recycling and stormwater harvesting to improve water supply security in towns and cities of 50 000 people or more (DSEWPC 2010c).

The Commission has been unable to determine the industry incidence of the program and funding has been subsequently allocated to the *unallocated other* grouping in the Commission ANZSIC-based industry classification (table A.65).

Table A.65 **Allocation of National Urban Water and Desalination Plan by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Unallocated other	-	-	-	-	-	10.0

- Nil.

Source: Commission estimates.

A.66 Climate Change and Productivity Research Program

In May 2008, the Australian Government announced the Australia's Farming Future (AFF) program with funding of $130 million over four years. The program, which commenced in July 2008, is intended to assist primary producers in adapting and responding to climate change. It consists of a number of elements including the Climate Change Research and Productivity Program. Other elements of the AFF program include the Climate Change Adaption Partnerships Program (see Annex item A.64), Climate Change Adjustment Program, and Community Networking and Capacity Building (Burke 2008a).

The Climate Change Research and Productivity (CCRP) program funds research projects and on-farm demonstration pilots to help prepare Australia's primary industries for climate change. The projects focus on:

- reducing greenhouse gas emissions such as methane and nitrous oxide;

- improving soil management and determining the potential of sequestration of carbon in agricultural soils — in a variety of soil types, locations and under differing management practices; and
- research into alternative management practices and the development of adaptation tools and techniques.

The CCRP program selectively benefits firms in the primary production sector. The Commission, however, has been unable to obtain any further specific information on the industry incidence of the program and funding has been subsequently allocated to the *unallocated primary* production grouping in the Commission ANZSIC-based industry classification (table A.66).

Table A.66 **Allocation of Climate Change and Productivity Research Program by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Unallocated primary	-	-	-	-	-	10.0

- Nil.

Source: Commission estimates.

A.67 National Low Emissions Coal Initiative

In May 2010, the Australian Government announced that it would provide $4.5 billion for a Clean Energy Initiative (CEI) (Garrett, Ferguson, Wong and Carr 2009). The Government intends the CEI to support growth in clean energy generation and new technologies, reduce carbon emissions and stimulate economic activity in the clean energy sector.

Among other things, the CEI includes $400 million towards the National Low Emissions Coal Initiative (NLECI). The NLECI is intended to accelerate the development and deployment of technologies that will reduce emissions from coal use, which in turn is intended to enable coal to make a significant contribution to reducing Australia's greenhouse gas emissions by 60 per cent of 2000 levels by 2050 (DRET 2010a).

For *Trade & Assistance Review 2008-09*, the Commission has included the funding as assistance to the *mining* industry in the Commission's ANZSIC-based industry groupings (table A.67).

Table A.67 **Allocation of National Low Emissions Coal Initiative by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Mining	-	-	-	-	-	8.7

- Nil.

Source: Commission estimates.

A.68 Advanced Electricity Storage

The Advanced Electricity Storage (AES) program supports the development and demonstration of efficient electricity storage technologies for use with variable renewable generation sources such as wind and solar. Advanced storage technologies for electricity applications include, but are not limited to, batteries, electro-mechanical, chemical and thermal storage technologies in either on-grid or off-grid situations.

The AES program has been identified as selectively benefiting firms in the manufacturing sector. The Commission, however, has been unable to obtain any further specific information on the manufacturing industry incidence of the program and funding has been subsequently allocated to the *unallocated manufacturing* grouping in the Commission's ANZSIC-based industry classification (table A.68).

Table A.68 **Allocation of Advanced Electricity Storage by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Unallocated manufacturing	-	-	-	0.5	2.8	8.7

- Nil.

Source: Commission estimates.

A.69 Export Finance Insurance Corporation 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 (although to date 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 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 from EFIC's annual reports (table A.69).

Table A.69 **Allocation of EFIC national interest business by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Grain, sheep & beef cattle	4.3	3.9	3.4	4.0	2.5	2.2
Unallocated other	12.8	10.4	9.1	10.9	6.7	6.0
Total	**17.1**	**14.3**	**12.5**	**14.9**	**9.2**	**8.3**

Figures may not add to totals due to rounding.

Source: Commission estimates.

A.70 Innovation Investment Fund

The Innovation Investment Fund (IIF) was established in 1998. The Australia Government instigated five initial licence agreements with private sector venture capital fund managers, where government funding is matched on a maximum two-to-one basis with private capital. The program is designed to improve the commercialisation of Australia's R&D base.

In May 2009, as part of the innovation agenda, the Australian Government announced that it would continue to provide support to increase access to private equity capital for new, innovative and high risk 'ventures' through schemes such as the IIF. Subsequently, the Government announced the licensing of two new IIF funds: Yuuwa Capital (November 2009) and OneVentures (March 2010). Each will have access to a $40 million fund consisting of $20 million from the Australian Government and $20 million from the private sector (Carr 2009b).

Each year, the Department of Innovation, Industry, Science and Research (DIISR) provides data on government expenditure for the IIF by the Commission's ANZSIC-based industry classification (table A.70).

Table A.70 **Allocation of Innovation Investment Fund by industry grouping, 2003-04 to 2008-09**

million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Grain, sheep & beef cattle	-	1.0	-	-	-	-
Mining	-	-	0.9	0.6	0.3	0.4
Food, beverages & tobacco	-	-	-	0.2	-	-
Petroleum, coal & chemicals	7.5	0.6	-	-	-	-
Other transport equipment	-	-	-	0.3	0.7	0.2
Other machinery & equipment	-	1.7	1.4	1.0	1.4	0.3
Electricity, gas & water supply	-	-	-	-	2.2	-
Construction	-	-	-	-	<0.1	-
Communication services	2.3	2.0	0.7	0.2	-	-
Finance & insurance	-	5.0	4.6	3.9	3.1	1.9
Property & business services	2.1	4.8	4.9	3.8	4.4	2.3
Health & community services	5.8	3.9	2.3	2.4	-	0.6
Unallocated other	-	0.5	-	-	-	2.6
Total	**17.6**	**19.5**	**14.7**	**12.5**	**12.1**	**8.1**

- Nil. Figures may not add to totals due to rounding.

Source: Commission estimates.

A.71 Business Assistance Fund for disasters – tax exemption

Payments made from the Business Assistance Fund to businesses adversely affected by Cyclone Larry or flooding owing to the cumulative effects of Cyclones Larry and Monica are exempt from income tax (Australian Government 2009, TES Item B26). From 2008-09 this measure became part of 'taxation assistance for victims of Australian natural disasters (see Annex Item A.72).

The Commission has been unable to determine the industry incidence of the exemption and the revenue forgone has been subsequently allocated to the *unallocated other* grouping in the Commission ANZSIC-based industry classification (table A.71).

Table A.71 **Allocation of Business Assistance Fund for disasters – tax exemption by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Unallocated other	-	-	-	10.0	11.0	-

- Nil.

Source: Commission estimates.

A.72 Taxation assistance for victims of Australian natural disasters

Certain payments made to victims of Australian natural disasters are exempt from income tax (Australian Government 2010, TES Item B 27). For example, the Clean-up and Restoration Grants paid to small businesses and primary producers affected by the 2009 Victorian bushfires are exempt from tax. It also includes two earlier measures relating to Cyclones Larry and Monica — Business Assistance Fund for disasters (see item A.71) and Cyclone Larry fuel excise relief (item A.119).

The Commission has been unable to determine the industry incidence of the exemption and the revenue forgone has been subsequently allocated to the *unallocated other* grouping in the Commission ANZSIC-based industry classification (table A.72).

Table A.72 **Allocation of Taxation assistance for victims of Australian natural disasters by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Unallocated other	-	-	-	-	-	8.0

- Nil.

Source: Commission estimates.

A.73 Automotive Industry Structural Adjustment Program

In November 2008, the Australian Government announced that it would introduce a $6.2 billion plan for the automotive industry — *A New Car Plan for a Greener Future*. As part of this plan the Government also announced the introduction of the $116 million Automotive Industry Structural Adjustment Program (AISAP). The program provides funding to facilitate consolidation in the automotive components sector by helping firms with legal, relocation and other merger costs and labour market adjustment.

For *Trade & Assistance Review 2008-09*, the Commission has included funding from the program as assistance to the *motor vehicles and parts* industry grouping (table A.73).

Table A.73 **Allocation of Automotive Industry Structural Adjustment Program by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Motor vehicles & parts	-	-	-	-	-	7.9

- Nil.

Source: Commission estimates.

A.74 Solar Cities initiative

In June 2004, the Australian Government announced the $75 million Solar Cities Initiative. The initiative provides subsidies for trials of specific solar and energy efficiency technologies and their installation into residential and commercial buildings. The trials are intended to showcase the market viability of solar energy and energy efficiency technologies, and their economic and environmental benefits. The initiative is being implemented in seven separate electricity grid-connected areas around Australia.

For *Trade & Assistance Review 2008-09*, the Commission has included the funding from the initiative as assistance to the *property and business services* industry grouping (table A.74).

Table A.74 **Allocation of Solar cities initiative by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Property & business services	-	-	0.6	3.0	9.1	7.2

- Nil.

Source: Commission estimates.

A.75 Australian Animal Health Laboratory

The Australian Animal Health Laboratory (AAHL) is a CSIRO bio-containment facility that handles and stores infectious micro-organisms (exotic diseases). Such organisms are used in trialling vaccines and in training veterinarians to recognise diseases (CSIRO 2011).

The operations of the AAHL predominantly benefits primary producers. Funding for the AAHL has been allotted to *unallocated primary* production grouping (table A.75).

Table A.75 **Allocation of Australian Animal Health Laboratory by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Unallocated primary	6.2	6.8	6.9	7.0	7.2	7.1

Source: Commission estimates.

A.76 Innovation Investment Fund for South Australia

The Innovation and Investment Fund for South Australia (Structural Adjustment Package (Electrolux)) (IIFSA) was introduced in 2006 following a decision by Electrolux to close some of its manufacturing operations in Adelaide (Howard 2006). The package was closed to new applications in 2007.

The package consists of contributions of $25 million from the Australian Government and $5 million from the South Australian Government. Funding is available on a competitive-grants basis, for up to 50 per cent of the projected eligible capital costs for projects that support new investment that would not otherwise proceed and that will create additional sustainable jobs and contribute towards the diversification of the South Australian economy (Invest Australia 2007).

The DIISR has provided the Commission with information on the industry incidence of IIFSA funding by the ANZSIC industry classification. These industry shares have been used to allocate IIFSA program funding across the Commission's ANZSIC-based industry groupings (table A.76).

Table A.76 **Allocation of Innovation Investment Fund for South Australia by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Services to agriculture	-	-	-	-	0.2	-
Mining	-	-	-	-	-	0.3
Food, beverages & tobacco	-	-	-	-	2.3	1.6
Metal products	-	-	-	-	-	0.3
Other machinery & equipment	-	-	-	-	4.2	2.6
Other manufacturing	-	-	-	-	0.3	-
Unallocated manufacturing	-	-	-	-	-	0.2
Electricity, gas & water supply	-	-	-	-	-	0.4
Communication services	-	-	-	-	-	0.9
Property & business services	-	-	-	-	-	0.8
Unallocated other	-	-	-	-	0.1	<0.1
Total	**0.0**	**0.0**	**0.0**	**0.0**	**7.1**	**7.1**

- Nil. Figures may not add to totals due to rounding.

Source: Commission estimates.

A.77 Ethanol Distribution Program[4]

In August 2006, the Australian Government announced the introduction of the Ethanol Distribution Program (EDP), with funding of around $17 million and set to run from 1 October 2006 to 30 June 2007. The Government's intended purpose of the program was:

- to increase the number of retail service stations selling 10 per cent ethanol blended petrol (E10);
- to increase the volume of E10 sold; and
- encouraged the sale of E10 at a lower price than regular unleaded petrol.

4 In TAR 2008-09, p. 127, this is incorrectly labelled Enterprise Development Program (EDP).

The program provided grants of up to $20 000 for Australian retail service stations to reduce the cost of installing or converting infrastructure to supply E10.

The EDP selectively assists firms engaged in wholesale and retail activities and funding from the program has been included in the *wholesale* and *retail trade* industries in the Commission's ANZSIC-based industry groupings (table A.77).

Table A.77 **Allocation of Ethanol Distribution program by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Wholesale trade	-	-	-	-	1.7	2.0
Retail trade	-	-	-	0.7	4.5	5.0
Total	**0.0**	**0.0**	**0.0**	**0.7**	**6.2**	**7.0**

- Nil. Figures may not add to totals due to rounding.

Source: Commission estimates.

A.78 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 Industry R&D Board undertakes the selection of fund companies under ministerial guidelines and a competitive tender process. A licensed fund cannot invest more than a million in any eligible company or project without the consent of the Board (AusIndustry 2011).

Each year, the Department of Innovation, Industry, Science and Research (DIISR) provides data on expenditure for the Pre-seed Fund according to the Commission's ANZSIC-based industry classification (table A.78).

Table A.78 **Allocation of Pre-seed Fund by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Horticulture & fruit growing	0.7	0.3	-	0.1	0.0	-
Petroleum, coal & chemicals	-	0.5	-	-	0.5	-
Non-metallic mineral products	-	-	0.2	0.8	-	-
Motor vehicles & parts	-	-	0.3	-	0.1	0.1
Other machinery & equipment	-	-	1.3	0.2	1.8	0.3
Other manufacturing	1.0	-	-	-	-	-
Electricity, gas & water supply	-	-	0.1	0.4	-	-
Communication services	2.2	1.8	2.4	1.8	1.0	0.7
Finance & insurance	-	2.3	3.9	1.9	2.2	-
Property & business services	-	0.7	2.6	2.1	4.3	2.2
Health & community services	2.5	0.5	1.8	2.0	1.1	0.9
Unallocated other	-	0.1	-	-	-	2.7
Total	**6.4**	**6.3**	**12.5**	**9.2**	**11.1**	**6.9**

- Nil. Figures may not add to totals due to rounding.

Source: Commission estimates.

A.79 Sugar Research and Development Corporation

The Sugar Research and Development Corporation (SRDC) is one of the rural research and development organisations established in 1990 under the *Primary Industries and Energy Research and Development Act 1989*. The SRDC funds research and development projects in Australia with the aim of fostering an internationally competitive and sustainable sugar industry (SRDC 2011).

The SRDC is jointly funded by an industry levy and Government contributions and selectively assists the sugar farming activities which is part of the *other crop growing* industry in the Commission's ANZSIC-based industry groupings (table A.79).

Table A.79 **Allocation of Sugar Research and Development Corporation by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Other crop growing	5.2	3.8	5.2	5.5	6.3	6.1

Source: Commission estimates.

A.80 Energy Innovation Fund

In May 2008, the Australian Government announced funding of $150 million over five years for the establishment of the Energy Innovation Fund (EIF). The EIF is intended to support the development of clean energy technologies. The EIF includes:

- $100 million for research into solar thermal and solar photovoltaic technologies, delivered through the Australian Solar Institute; and
- $50 million for a Clean Energy Program, which will provide grants for research into clean energy technologies in areas such as low-emission electricity generation, energy efficiency, energy storage and hydrogen transport fuels.

The EIF has been identified as selectively benefiting activities predominantly in the manufacturing sector. The Commission, however, has been unable to obtain any further specific information on the manufacturing industry incidence of the program and funding has been subsequently allocated to the *unallocated manufacturing* grouping in the Commission's ANZSIC-based industry classification (table A.80).

Table A.80 **Allocation of Energy Innovation Fund by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Unallocated manufacturing	-	-	-	-	-	5.8

- Nil.

Source: Commission estimates.

A.81 National Stem Cell Centre

In May 2002, the Australian Government, as part of the *Backing Australia's Ability* statement, announced that the Australian Stem Cell Centre would be selected as Australia's Biotechnology Centre of Excellence (BCE). The Centre was established to create a national multi-institutional research and discovery program for the development of treatments for serious diseases using stem cell and related technologies (ARC 2010).

The NSCC selectively assists activities engaged in biotechnology which is located within the *petroleum, coal and chemical products* industry in the Commission's ANZSIC-based industry groupings (table A.81).

Table A.81 **Allocation of National Stem Cell Centre by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Petroleum, coal & chemicals	4.6	5.8	7.1	6.5	6.0	5.5

Source: Commission estimates.

A.82 Enterprise Connect Innovation Centres

In May 2008, the Australian Government announced funding of around $250 million over five years for the establishment of eleven Enterprise Connect centres. The centres aim to provide Australia's small and medium sized enterprises (SMEs) with access to technology, research, and business and management advisory services.

Enterprise Connect comprises two components, a manufacturing network and innovation centres. The manufacturing network consists of six centres located in Adelaide, Dandenong (Victoria), Burnie (Tasmania), Brisbane, Sydney and Perth. It is intended that these centres will work with companies to: improve business strategies and operations; benchmark against best practice; improve products and efficiency; access prototyping and testing facilities; and reduce red tape and improve access to government programs.

The five innovation centres will be: mining technology (located in Mackay, Queensland), remote enterprise (located in Alice Springs, Northern Territory), innovative regions (in Geelong, Victoria), creative industries (in Sydney) and clean energy (located in Newcastle, New South Wales). In November 2008, the Government announced an additional $20 million for a Defence Innovation Centre, to be located in Dandenong. It is intended that the innovation centres will assist SMEs access new ideas, technologies and markets (Carr 2008b).

In December 2009, the Government announced the extension of Enterprise Connect Innovative Regions Centre operations into eight additional regions including, New South Wales (three regional centres), Victoria (one regional centre), Queensland (two regional centres), Western Australia (one regional centre) and Tasmania (one regional centre) (Carr 2009c).

The Commission has been unable to obtain information on the industry incidence of the program and funding has been subsequently allocated to the *unallocated other* grouping in the Commission ANZSIC-based industry classification (table A.82).

Table A.82 **Allocation of Enterprise Connect Innovation Centres by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Unallocated other	-	-	-	-	5.3	5.3

- Nil.

Source: Commission estimates.

A.83 Brandy preferential excise rate

The Brandy preferential excise rate maintains a lower rate of excise on brandy than the general rate as specified in Item 2A of the *Excise Tariff Act 1921*. The estimated revenue forgone from the concession is sourced from Treasury's Tax Expenditure Statement (Australian Government 2010, TES Item F 9).

The scheme is targeted to brandy producers and has been allocated to the *food, beverages & tobacco* industry in the Commission ANZSIC-based industry groupings (table A.83).

Table A.83 **Allocation of Brandy preferential excise rate by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Food, beverages & tobacco	5.0	4.0	4.0	5.0	5.0	5.0

Source: Commission estimates.

A.84 Infrastructure Bonds scheme

The Infrastructure Bonds scheme was designed to encourage investment in transport and power generating projects. The scheme allowed private companies participating in such projects to obtain benefits in the form of cheaper loans from participating financiers. The financiers were not required to pay tax on interest earned, and could pass this benefit on to borrowers in the form of lower interest rates. Under the scheme, the borrower surrendered tax deductibility on interest payments associated with the loans.

The Infrastructure Bonds scheme was terminated in February 1997 following evidence that it was being exploited for tax minimisation purposes (DAA 1998). The program was replaced by the Land transport infrastructure borrowing's tax offsets scheme. Existing claims made under the Infrastructure Bonds scheme, however, are still being honoured (Australian Government 2010, TES Item B 46).

This tax expenditure has been allocated between *electricity, gas & water* and *transport & storage* using information from the Development Allowance Authority (DAA) annual reports and press releases detailing projects approved by the DAA (table A.84).

Table A.84 **Allocation of Infrastructure Bonds scheme by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Electricity, gas & water supply	10.4	10.4	10.4	7.8	2.6	2.6
Transport & storage	9.6	9.6	9.6	7.2	2.4	2.4
Total	**20.0**	**20.0**	**20.0**	**15.0**	**5.0**	**5.0**

Figures may not add to totals due to rounding.

Source: Commission estimates.

A.85 Tax Deduction for horticultural plantations

The tax deduction for horticultural plantations allows for capital expenditure incurred in establishing horticultural plants to be written off using an accelerated depreciation regime, with deductions available from the first commercial season. The cost of establishing plants with an effective life of less than three years can be written off in the first commercial year. Plants with an effective life of more than three years can be depreciated over a shorter period than their effective life using the maximum write-off periods set out in the legislation (Australian Government 2010, TES Item B 77).

The scheme is targeted at horticultural growers and has been allocated to the *horticultural & fruit* growing industry in the Commission ANZSIC-based industry groupings (table A.85).

Table A.85 **Allocation of Tax Deduction for horticultural plantations by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Horticulture & fruit growing	4.0	5.0	4.0	4.0	4.0	5.0

Source: Commission estimates.

A.86 Industry Cooperative Innovation Program

The Industry Cooperative Innovation Program is a merit based grants program that is intended to encourage business-to-business cooperation on innovation projects both within Australia and internationally. The program focuses on projects that enhance productivity, growth and international competitiveness in Australian industries (AusIndustry 2010d).

The Commission has obtained information from the Department of Innovation, Industry, Science and Research detailing program funding according to ANZSIC industry. This information has been used to allocate the Department's estimate of total program expenditure, as published in their annual report, to the Commission's ANZSIC-based industry groupings (table A.86).

Table A.86 **Allocation of Industry Cooperative Innovation Program by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Services to agriculture	-	-	-	0.3	<0.1	-
Fisheries	-	-	0.1	0.2	0.2	0.3
Petroleum, coal & chemicals	-	-	0.2	0.6	-	-
Metal products	-	-	-	0.0	0.1	-
Motor vehicles & parts	-	-	-	0.1	<0.1	-
Other transport equipment	-	-	-	-	-	0.3
Other machinery & equipment	-	-	0.2	0.3	<0.1	-
Other manufacturing	-	-	0.1	0.2	0.2	-
Electricity, gas & water supply	-	-	-	0.1	0.0	0.1
Construction	-	-	0.3	0.2	0.2	-
Wholesale trade	-	-	-	0.1	-	-
Transport & storage	-	-	-	-	-	0.2
Communication services	-	-	0.2	0.4	0.2	0.5
Finance & insurance	-	-	-	-	-	0.3
Property & business services	-	-	0.1	0.2	0.7	0.6
Health & community services	-	-	-	-	-	0.5
Cultural & recreational services	-	-	-	0.7	-	-
Personal & other services	-	-	-	0.5	<0.1	2.2
Unallocated other	-	-	-	-	2.7	-
Total	**0.0**	**0.0**	**1.1**	**3.7**	**4.5**	**4.9**

- Nil. Figures may not add to totals due to rounding.

Source: Commission estimates.

A.87 Sugar Industry Reform Program – 2004

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

- 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 A.87).

Table A.87 **Allocation of Sugar Industry Reform Program by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Other crop growing	69.9	129.4	140.0	39.1	35.6	4.5

Source: Commission estimates.

A.88 TCF Product Diversification Scheme

The Textiles, Clothing and Footwear (TCF) Product Diversification Scheme is intended to assist clothing and finished textile manufacturers located in Australia internationalise their sourcing arrangements and complement their product range. Assistance under the scheme is provided in the form of duty credits that can be used to offset duty payable on qualifying finished clothing or relevant finished textile articles (AusIndustry 2010e).

The scheme selectively benefits textile, clothing and footwear activities and has been allocated to the *textile, clothing and footwear* industry in the Commission's ANZSIC-based industry groupings (table A.88).

Table A.88 **Allocation of TCF Product Diversification Scheme by industry grouping, 2003-04 to 2008-09**

million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Textile, clothing & footwear	-	-	-	5.0	5.0	4.5

- Nil.

Source: Commission estimates.

A.89 Australian Tourism Development Program

The Australian Tourism Development Program, renamed the TQUAL Grants program from 2009-10, is a competitive merit-based grants program that is intended to assist in the development of a continuous tourism experience across Australia. The program supported initiatives that were intended to:

- promote tourism development in regional and rural Australia;
- contribute to long term economic growth;
- increase visitation and yield throughout Australia;
- enhance visitor dispersal and tourism expenditure throughout Australia; and
- increase Australia's competitiveness as a tourism destination.

The Commission has obtained information from the Department of Resources, Energy and Tourism detailing program funding according to ANZSIC industry. This information has been used to allocate total program expenditure, as published in their annual report, to the Commission's ANZSIC-based industry groupings (table A.89).

Table A.89 **Allocation of Australian Tourism Development Program by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Horticulture & fruit growing	-	-	-	-	0.1	-
Fisheries	-	-	-	-	<0.1	-
Food, beverages & tobacco	-	-	-	-	0.1	-
Textile, clothing & footwear	-	-	-	-	<0.1	-
Construction	-	-	-	-	<0.1	1.3
Retail trade	-	-	-	-	-	<0.1
Accommodation, cafes &	-	-	-	-	0.2	-
Transport & storage	-	-	-	-	<0.1	-
Property & business services	-	-	-	-	1.3	0.6
Government admin. & defence	-	-	-	-	0.1	0.0
Education	-	-	-	-	0.1	-
Health & community services	-	-	-	-	<0.1	-
Cultural & recreational services	-	-	-	-	0.9	<0.1
Personal & other services	-	-	-	-	1.7	<0.1
Unallocated services	-	4.0	7.0	6.8	-	2.1
Total	**0.0**	**4.0**	**7.0**	**6.8**	**4.4**	**4.2**

- Nil. Figures may not add to totals due to rounding.

Source: Commission estimates.

A.90 South Australia Innovation and Investment Fund and Labour Assistance Package

In February 2008, the Australian and South Australian Governments announced a $50 million assistance package to help support workers, and also the Tonsley Park region in South Australia following the announcement by Mitsubishi Motor Corporation that it would close its Adelaide vehicle assembly plant. The package included: up to $10 million for intensive assistance to workers made redundant as a result of the plants closure; and a $40 million South Australian Innovation and Investment Fund (SAIIF) to assist the expansion of manufacturing in South Australia.

Under the SAIIF, up to $30 million will be used to support projects that are likely to create full-time employment, with a focus on projects aimed at supporting the introduction of new innovations or technology (including investment in emerging and growth sectors such as defence and ICT), and activities in the southern suburbs of Adelaide. In addition, the fund is to provide up to $10 million for strategic infrastructure intended to improve the competitiveness of the region (Rudd, Carr and Rann 2008).

The Commission has been unable to determine the industry incidence of the SAIIF and has allocated program funding to the *unallocated other* grouping in the Commission ANZSIC-based industry classification (table A.90).

Table A.90 **Allocation of South Australia Innovation and Investment Fund and Labour Assistance Package by industry grouping, 2003-04 to 2008-09**

million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Unallocated other	-	-	-	-	-	4.1

- Nil.

Source: Commission estimates.

A.91 Small Business Program

The Small Business Program, or Building Entrepreneurship in Small Business Program, provided competitive, merit-based grants to organisations to improve the business skills of Australian small business owners and managers. The Australian Government's intended purpose of the program was to facilitate entrepreneurship to maximise the growth potential and sustainability of small business (DIISR 2009).

In May 2008, the Australian Government announced that it would close the program.

The Commission has obtained information from the Department of Innovation, Industry, Science and Research detailing program funding according to ANZSIC industry. This information has been used to allocate f total program expenditure, as published in their annual report, to the Commission's ANZSIC-based industry groupings (table A.91).

Table A.91 **Allocation of Small Business Program by industry grouping, 2003-04 to 2008-09**

million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Services to agriculture	-	-	0.4	-	-	-
Food, beverages & tobacco	-	-	0.6	-	-	-
Other machinery & equipment	0.2	0.2	-	-	-	-
Construction	-	-	0.1	0.9	0.7	0.2
Accommodation, cafes &	0.1	0.1	0.2	-	-	-
Communication services	<0.1	<0.1	-	-	-	-
Property & business services	6.2	4.8	8.3	6.8	5.2	1.5
Government admin. & defence	4.5	3.4	1.6	4.3	3.3	0.9
Education	0.4	0.3	4.1	2.6	2.0	0.6
Health & community services	<0.1	<0.1	0.2	0.1	0.1	<0.1
Cultural & recreational services	0.1	0.0	-	0.7	0.6	0.2
Personal & other services	1.2	0.9	1.2	1.6	1.2	0.3
Unallocated other	0.1	0.1	-	0.5	0.4	0.1
Total	**12.8**	**9.8**	**16.6**	**17.5**	**13.5**	**3.8**

- Nil. Figures may not add to totals due to rounding.

Source: Commission estimates.

A.92 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.

Prior to 2004-05, the Commission had allocated funding for FWPRDC entirely to the *forestry and logging* industry grouping. For *Trade & Assistance Review 2004-05*, however, the Commission reviewed this allocation and concluded that some of its 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 A.92). Expenditure levels for each output have been obtained from FWPRDC annual reports.

Table A.92 **Allocation of Forest and Wood Products Research and Development Corporation by industry grouping, 2003-04 to 2008-09**

million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Forestry & logging	1.6	1.4	1.4	1.8	2.0	2.2
Wood & paper products	1.6	1.5	1.6	1.2	1.4	1.5
Total	**3.1**	**3.0**	**3.0**	**3.0**	**3.4**	**3.7**

Figures may not add to totals due to rounding.

Source: Commission estimates.

A.93 Climate Change Adjustment Program

The Climate Change Adjustment Program, part of the Australia's Farming Future program, provides assistance to primary producers to help manage the impacts of climate change. Assistance is provided for individually tailored farm business and management advice.

Adjustment advice is available to eligible primary producers adversely impacted or likely to be, impacted by climate change, including those experiencing hardship caused by drought. Professional advice and training is individually tailored to help farm businesses adjust to climate change and to set goals and develop action plans to improve their financial circumstances, either within or outside of agriculture. Assistance is also available to farmers who decide to leave farming.

The Climate Change Adjustment Program is targeted at the primary production sector, however, the Commission has been unable to obtain further information on the specific industry incidence of the program and has allocated funding to the *unallocated primary* production grouping in the Commission's ANZSIC-based industry classification (table A.93).

Table A.93 **Allocation of Climate Change Adjustment Program by industry grouping, 2003-04 to 2008-09**

million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Unallocated primary	-	-	-	-	-	3.5

- Nil.

Source: Commission estimates.

A.94 Australia's Forest Industry – Preparing for the Future

In May 2008, the Australian Government announced that it would provide $20 million over three years for Preparing Australia's Forestry Industry for the Future package. The package is intended to help Australia's forest industries deal with issues including climate change and skills shortages.

The main elements of the package include:

- The Forest Industries Development Fund — to encourage investment in value-adding activities and increase the international competitiveness of Australia's forest industry ($9 million);
- research into the impact of climate change on forest systems and industries ($8 million);
- The ForestWorks program — to support the establishment of the Forest and Forest Products Industry Skills Council to address skill shortages in the industry ($1 million);
- The Forest and Wood Products Industry Workforce and Industry Data Collection research project ($1 million);
- measures intended to support work with industry, regional governments and overseas countries to restrict the sale of illegally-logged timber ($1 million) (Burke 2008b).

The package appears to mainly benefit activities located in the wood processing industry and has been allocated to the *wood and paper products* industry in the Commission's ANZSIC-based industry groupings (table A.94).

Table A.94 **Allocation of Australia's Forest Industry – Preparing for the Future by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Wood & paper products	-	-	-	-	-	3.3

- Nil.

Source: Commission estimates.

A.95 Fisheries Resources Research Program

The Fisheries Resources Research Program (FRRP) funds the on-going program of assessments of Commonwealth fisheries by the Australian Bureau of Agricultural and Resource Economics, and the Bureau of Rural Sciences, as well as targeted biological, economic and social research (DAFF 2010c).

The Fisheries Resources Research program selectively benefits activities in the fishing industry and funding from the program has been subsequently allocated to the *fisheries* industry in the Commission's ANZSIC-based industry groupings (table A.95).

Table A.95 **Allocation of Fisheries Resources Research Program by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Fisheries	-	3.8	3.1	3.1	3.1	3.2

- Nil.

Source: Commission estimates.

A.96 National Weeds and Productivity Research Program

In 2008, the Australian Government announced funding of $15.3 million over four years to establish the National Weeds and Productivity Research Program. A primary objective of the program is to reduce the impact of invasive plants on farm and forestry productivity and also biodiversity. In 2008-09, 39 weed research projects worth over $3 million were funded from the program.

The Commission has been unable to determine the industry incidence of the program and has allocated program funding to the *unallocated primary* production grouping in the Commission's ANZSIC-based industry classification (table A.96).

Table A.96 **Allocation of National Weeds and Productivity Research Program by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Unallocated primary	-	-	-	-	-	3.1

- Nil.

Source: Commission estimates.

A.97 Promoting Australian Produce program

In the May 2008 Budget, the Australian Government announced that it would provide $5 million over three years for the Promoting Australian Produce program. The program is intended to assist Australian producers in developing and implementing initiatives that raise awareness of the premium quality of Australian produce, including local fruit and vegetables, pork and seafood (Burke 2008c).

Under the program, matched-funding grants of between $50 000 and $750 000 will be available to eligible food industry organisations to undertake projects in one or more of the following activities: enhancing industry marketing and promotional capabilities; developing new strategies for industry marketing; gaining consumer insights; and strengthening links with domestic and international markets (DAFF 2009a).

While the program targets the primary production sector, the Commission has been unable to determine the specific industry incidence of the program has it has therefore been allocated to the *unallocated primary* production grouping in the Commission's ANZSIC-based industry classification (table A.97).

Table A.97 **Allocation of Promoting Australian Produce program by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Unallocated primary	-	-	-	-	-	3.0

- Nil.

Source: Commission estimates.

A.98 Australian Pork Limited – Research and Development

Australian Pork Limited (APL) was established in 2000. The APL is a producer-owned company delivering integrated marketing, innovation and policy services to enhance the viability of Australia's pig producers (APL 2010). APL R&D is funded by industry levies and matching Government contributions.

R&D by APL selectively assists activities in the pigmeat industry, which is part of the *other livestock farming* industry in the Commission's ANZSIC-based industry grouping (table A.98).

Table A.98 **Allocation of Australian Pork Limited – Research and Development by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Other livestock farming	4.6	4.2	3.6	3.4	3.7	2.8

Source: Commission estimates.

A.99 Low-Emission Technology Demonstration Fund

The Low Emissions Technology Demonstration Fund (LETDF) is designed to help Australian firms commercialise low emissions technologies. An objective of the program is to demonstrate the commercial potential of new energy technologies or processes or the application of overseas technologies or processes to Australian circumstances to deliver long-term large-scale greenhouse gas emission reductions. There was one selection round in 2006 and has been closed to new applications

The LETDF is targeted towards energy generation activities and funding for this program has therefore been allocated to the *electricity, gas & water supply* industry in the Commission's ANZSIC-based industry groupings (table A.99).

Table A.99 **Allocation of Low-Emission Technology Development Fund by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Electricity, gas & water supply	-	-			3.1	1.6

- Nil.
Source: Commission estimates.

A.100 Cotton Research and Development Corporation

The Cotton Research and Development Corporation (CRDC) is one of the rural research and development organisations established in 1990 under the Primary Industries and Energy Research and Development Act 1989. The CRDC is jointly funded by an industry levy and matching Government contributions.

The CRDC selectively assists the cotton farming industry, which is part of the *other crop growing* industry in the Commission's ANZSIC-based industry groupings (table A.100).

Table A.100 **Allocation of Cotton Research and Development Corporation by industry grouping, 2003-04 to 2008-09**

million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Other crop growing	4.8	4.3	4.9	4.6	3.1	2.4

Source: Commission estimates.

A.101 TCF Small Business Program

The Textiles, Clothing and Textiles (TCF) Small Business Program is a competitive merit based grants program available to eligible TCF small business. An eligible TCF small business is one with fewer than 20 employees that also undertakes eligible TCF activities as defined by the TCF Post-2005 (SIP) scheme. The Australian Government's intended objective of the program is to improve the business enterprise culture of established TCF small businesses that are unable to receive assistance under the TCF (SIP) or TCF Post-2005 (SIP) schemes (AusIndustry 2010f).

For *Trade & Assistance Review 2008-09*, most of the funding from the program has been included as assistance to the *textile, clothing and footwear* industry with some assistance also to the *property and business services* industry in the Commission's ANZSIC-based industry groupings (table A.101).

Table A.101 **Allocation of TCF Small Business Program by industry grouping, 2003-04 to 2008-09**

million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Textile, clothing & footwear	-	-	-	2.2	2.0	2.1
Property & business services	-	-	-	-	0.3	0.3
Total	**0.0**	**0.0**	**0.0**	**2.2**	**2.3**	**2.4**

- Nil. Figures may not add to totals due to rounding.

Source: Commission estimates.

A.102 Scottsdale Industry and Community Development Fund

In March 2007, the Australian Government announced the $6 million Scottsdale Industry and Community Development Fund (SICDF). The SICDF was a merit based grants program and was intended to provide financial support for a range of development initiatives for the benefit of the Scottsdale community in northern Tasmania. The initiatives were aimed at creating or retaining long-term sustainable employment opportunities for the Scottsdale community. The program closed on 30 June 2009 (DIISR 2010c).

The Commission has obtained information from the Department of Innovation, Industry, Science and Research detailing the ANZSIC industry incidence of the program. The industry shares data from the Department have been used to allocate total program funding to the Commission's ANZSIC-based industry groupings (table A.102).

Table A.102 **Allocation of Scottsdale Industry and Community Development Fund by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Horticulture & fruit growing	-	-	-	-	0.3	0.5
Dairy cattle farming	-	-	-	-	-	0.1
Other crop growing	-	-	-	-	0.3	-
Services to agriculture	-	-	-	-	0.1	-
Forestry & logging	-	-	-	-	0.4	0.2
Food, beverages & tobacco	-	-	-	-	0.1	-
Wood & paper products	-	-	-	-	2.4	1.1
Printing, publishing & media	-	-	-	-	0.3	-
Petroleum, coal & chemicals	-	-	-	-	-	0.1
Other transport equipment	-	-	-	-	-	0.2
Other machinery & equipment	-	-	-	-	0.1	-
Construction	-	-	-	-	0.1	-
Total	**0.0**	**0.0**	**0.0**	**0.0**	**4.0**	**2.2**

- Nil. Figures may not add to totals due to rounding.

Source: Commission estimates.

A.103 R&D Start

The R&D Start program is a merit-based program designed to assist Australian industry to undertake R&D and its commercialisation through a range of grants and loans. Over 1380 grants and loans, valued at $1.4 billion, were approved over the life of the program. The program concluded in September 2004 and was replaced by the Commercial Ready program.

Funding from the program has been allocated across the Commission's ANZSIC-based industry groupings based on information received annually from the Department of Innovation, Industry, Science and Research (table A.103).

Table A.103 **Allocation of R&D Start by industry grouping, 2003-04 to 2008-09**

million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Horticulture & fruit growing	0.2	0.4	0.2	<0.1	-	-
Grain, sheep & beef cattle	0.1	-	-	-	-	-
Other crop growing	-	<0.1	-	-	-	-
Services to agriculture	1.3	1.1	0.2	<0.1	-	-
Fisheries	2.2	1.8	1.1	0.3	0.1	-
Unallocated primary	1.7	-	-	-	-	-
Mining	3.3	1.6	2.7	1.2	0.1	0.1
Food, beverages & tobacco	0.8	0.6	0.1	2.3	0.2	0.3
Textile, clothing & footwear	0.6	<0.1	-	-	-	-
Wood & paper products	<0.1	0.2	0.3	0.1	-	-
Printing, publishing & media	0.6	0.3	0.4	0.3	0.9	-
Petroleum, coal & chemicals	10.5	9.3	4.9	1.7	0.4	0.1
Non-metallic mineral products	0.2	0.8	0.6	1.2	0.1	<0.1
Metal products	5.7	1.5	1.3	1.4	1.1	-
Motor vehicles & parts	0.6	0.4	0.0	-	-	<0.1
Other transport equipment	2.2	1.6	1.2	0.1	0.1	-
Other machinery & equipment	31.1	30.0	26.3	11.3	4.3	0.0
Other manufacturing	27.1	0.1	11.2	4.5	2.8	0.1
Electricity, gas & water supply	3.2	1.6	0.1	-	-	-
Construction	0.9	0.3	0.2	-	-	0.4
Wholesale trade	2.2	0.8	1.4	0.2	0.2	-
Retail trade	0.3	-	-	-	-	-
Transport & storage	1.1	1.7	0.7	<0.1	-	-
Communication services	8.4	8.4	5.3	0.6	0.2	-
Finance & insurance	3.5	2.0	0.7	0.4	-	-
Property & business services	24.6	31.5	13.6	5.6	0.4	1.1
Government admin. & defence	-	<0.1	-	-	-	-
Education	0.2	0.2	0.1	<0.1	-	-
Health & community services	9.3	12.1	4.4	1.8	0.2	-
Cultural & recreational services	0.3	0.1	-	-	-	-
Personal & other services	0.2	<0.1	-	-	-	-
Unallocated services	0.2	-	-	-	-	-
Unallocated other	-	28.2	4.6	2.2	1.5	-
Total	**142.6**	**136.7**	**81.5**	**35.3**	**12.7**	**2.2**

- Nil. Figures may not add to totals due to rounding.

Source: Commission estimates.

A.104 Geelong Innovation and Investment Fund

The Geelong Investment and Innovation Fund (GIIF) was established by the Australian and Victorian Governments, together with Ford Motor Company of Australia Ltd following Ford's restructure of its manufacturing operations in Geelong. The package supports new investment that is intended to create sustainable job opportunities in the Geelong region. Eligible investment will be in creating new or additional business capacity designed to enhance employment, business and economic opportunities with a focus on innovative manufacturing and/or technology projects (DIISR 2010d).

The Commission has been unable to determine the specific industry incidence of the fund and has therefore allocated program funding to the *unallocated other* grouping in the Commission's ANZSIC-based industry classification (table A.104).

Table A.104 **Allocation of Geelong Innovation and Investment Fund by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Unallocated other	-	-	-	-	-	2.0

- Nil.

Source: Commission estimates.

A.105 Fisheries Research Program

The Fisheries Research Program (FRP) provides funding for the annual *Fishery status reports* through the examination of fish stocks, and also facilitates the evaluation of fisheries harvest strategies which aim to maintain fish stocks at ecologically viable levels (DAFF 2010c).

The FRP selectively benefits fishing industry activities and funding from the program has therefore been allocated to the *fisheries* industry in the Commission's ANZSIC-based industry groupings (table A.105).

Table A.105 **Allocation of Fisheries Research Program by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Fisheries	-	-	-	-	-	1.9

- Nil.

Source: Commission estimates.

A.106 Farm Help

The Farm Help program (formerly known as Farm Family Restart Scheme) provided support for farmers facing financial hardship. The scheme provided:

- income support at the same rate as Newstart Allowance;
- up to $5500 (including GST) to obtain professional advice, including business management, legal, agricultural expert, personal or career counselling and a skills audit;
- a re-establishment grant of up to $75 000 is available if the farm is sold, subject to an assets test and other conditions; and
- a $3500 retraining grant is available to re-establishment grant recipients and/or their partner, to help prepare for a career off the farm (DAFF 2011).

In November 2007, the Australian Government announced that it would end the Farm Help program. Funds saved from closing the program were diverted to the Australia's Farming Future program.

The Commission has obtained data from the Department of Agriculture, Fisheries and Forestry detailing the number of recipients under the scheme by type of farming activity (for example, fruit, beef cattle, sugar). This data has been mapped to the Commission's ANZSIC-based industry classification and then used to allocate estimates of program funding from the Department's annual reports and budget papers (table A.106).

Table A.106 **Allocation of Farm Help by industry grouping, 2003-04 to 2008-09**

million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Horticulture & fruit growing	2.3	1.4	2.5	2.4	0.6	0.4
Grain, sheep & beef cattle	5.0	7.1	6.2	6.3	1.6	1.0
Dairy cattle farming	5.0	1.2	1.0	0.9	0.2	0.1
Poultry farming	0.1	-	0.0	0.1	<0.1	<0.1
Other livestock farming	0.2	0.2	0.2	0.2	0.1	<0.1
Other crop growing	2.5	1.4	0.9	0.7	0.2	0.1
Fisheries	0.1	1.2	0.1	0.1	<0.1	<0.1
Unallocated primary	0.3	0.4	0.3	0.3	0.1	0.0
Total	**15.6**	**12.8**	**11.2**	**11.0**	**2.8**	**1.8**

- Nil. Figures may not add to totals due to rounding.

Source: Commission estimates.

A.107 Interim Income Support (Exceptional Circumstances)

As part of the Australian Government’s broader Exceptional Circumstances (EC) arrangements, Interim Income Support (IIS) payments may be available during the EC application assessment process where an area has been announced as having a prima-facie case for EC while the State's application for EC is being considered by the National Rural Advisory Council. Eligibility to receive IIS payments are subject to an off-farm asset and income test. Payments are made fortnightly at a rate equivalent to Newstart Allowance and are available for a maximum period of 6 months or until an EC declaration is made.

The Department of Agriculture, Fisheries and Forestry (DAFF) provides a breakdown of EC relief payments by ANZSIC industry which is then used to allocate total expenditure shown in the annual report to the Commission’s ANZSIC-based industry groupings (table A.107).

Table A.107 **Allocation of Interim Income Support by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Grain, sheep & beef cattle	25.1	1.1	0.3	7.0	4.8	1.0
Dairy cattle farming	11.9	0.5	0.1	3.3	2.3	0.5
Poultry farming	0.5	<0.1	<0.1	0.2	0.1	<0.1
Other livestock farming	0.3	<0.1	<0.1	0.1	0.1	<0.1
Other crop growing	3.6	0.2	0.0	1.0	0.7	0.1
Total	**41.5**	**1.9**	**0.5**	**11.6**	**7.9**	**1.7**

Figures may not add to totals due to rounding.

Source: Commission estimates.

A.108 Low Emissions Technology and Abatement Program

The Low Emissions Technology and Abatement Program provides funding over four years to encourage ongoing investment in the development, demonstration and deployment of smaller-scale low emission technologies, and cost-effective abatement activities. It comprises two sub-programs: Renewables program which aims to support strategically important renewable energy projects that will contribute to a stronger renewable energy industry by addressing barriers to the uptake of renewable energy technologies; and Strategic Abatement program which targets greenhouse gas actions in local communities.

The Commission has not been able to determine the industry incidence of the program and has therefore allocated funding to the *unallocated other* grouping in the Commission's ANZSIC-based industry classification (table A.108).

Table A.108 **Allocation of Low Emissions Technology and Abatement Program by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Unallocated other	-	-	2.0	6.7	3.1	1.7

- Nil.

Source: Commission estimates.

A.109 Advancing Agricultural Industries Program

The Advancing Agricultural Industries Program was intended to help primary industries develop self-reliance, resilience and an ability to efficiently manage change. The program encouraged industries to identify challenges and opportunities and to address them by developing and implementing industry-led strategies. The program included four main components:

- Advancing Agriculture Fund (AgFund) — up to $50 000 to producer groups to target industry issues at the local and regional level;
- Industry Stocktakes — up to $200,000 to help agriculture, fisheries and forest industries identify their strengths and weaknesses, and challenges and opportunities, and plan for how to best manage them;
- Action Grants — up to $1 million in matching funds to help industries build their structural and organisational capacity and tackle identified industry issues; and
- Rural Leadership Development — intended to increase the skills, knowledge and profile of women, Indigenous and young people working in the agriculture, fisheries, forestry, natural resource management and food processing industries (DAFF 2010d).

The program formally ended on 30 June 2008, although there was some residual expenditure in 2008-09.

The Commission has obtained data from the Department of Agriculture, Fisheries and Forestry detailing the number of recipients under the scheme by type of farming activity (for example, fruit, beef cattle, sugar). This data has been mapped to the Commission's ANZSIC-based industry classification and then used to allocate estimates of program funding from the Department's annual reports and budget papers (table A.109).

Table A.109 **Allocation of Advancing Agricultural Industries Program by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Horticulture & fruit growing	-	3.5	2.7	3.0	2.8	0.9
Grain, sheep & beef cattle	-	0.1	0.3	0.4	0.8	0.2
Poultry farming	-	0.1	0.2	1.0	1.0	0.3
Other livestock farming	-	0.1	<0.1	<0.1	<0.1	<0.1
Other crop growing	-	0.1	-	-	-	-
Forestry & logging	-	0.1	-	0.4	0.1	<0.1
Fisheries	-	0.4	0.4	0.5	0.2	0.1
Unallocated primary	-	0.2	0.2	-	0.3	0.1
Total	**0.0**	**4.7**	**3.9**	**5.3**	**5.2**	**1.6**

- Nil. Figures may not add to totals due to rounding.

Source: Commission estimates.

A.110 TCF Structural Adjustment Program

The Textile, Clothing and Footwear (TCF) Structural Adjustment Program provides financial support for consolidation and labour market adjustments in the TCF industry. The program has two main parts:

- labour adjustment assistance for industry employees through the Australian Government's Job Network; and
- restructuring initiative grants to eligible TCF firms (DIISR 2010e).

The program selectively benefits textile, clothing and footwear activities and funding from the program has been allocated to the *textile, clothing and footwear* industry in the Commission's ANZSIC-based industry groupings (table A.110).

Table A.110 **Allocation of TCF Structural Adjustment Program by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Textiles, clothing & footwear	-	-	2.8	3.0	2.3	1.3

- Nil.

Source: Commission estimates.

A.111 Greenhouse Gas Abatement Program

The Greenhouse Gas Abatement Program (GGAP) is intended to reduce Australia's net greenhouse gas emissions by supporting activities that are intended to result in significant emissions reductions or activities to offset greenhouse emissions, particularly in the period 2008-2012 (DCCEE 2011).

For *Trade & Assistance Review 2008-09*, Australia Government press releases detailing approved projects have been used to allocate total program funding across the Commission's ANZSIC-based industry classification (table A.111).

Table A.111 **Allocation of Greenhouse Gas Abatement Program by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Mining	0.7	0.6	0.6	0.9	0.4	0.1
Petroleum, coal & chemicals	3.0	2.7	2.9	3.9	1.6	0.3
Metal products	2.0	1.8	1.9	2.6	1.1	0.2
Electricity, gas & water supply	7.5	6.7	7.2	9.8	4.1	0.7
Retail trade	0.4	0.3	0.4	0.5	0.2	<0.1
Total	**13.6**	**12.1**	**13.0**	**17.7**	**7.3**	**1.3**

Figures may not add to totals due to rounding.

Source: Commission estimates.

A.112 Indigenous Tourism Business Ready Program

The Indigenous Tourism Business Ready Program assists Indigenous tourism operators to develop, establish and run successful tourism businesses. The Government's intension is for the program to encourage Indigenous participation in tourism activities as a way of achieving economic independence for Indigenous Australians (DRET 2010b).

Based on information obtained from the Department of Resources, Energy and Tourism, expenditure under the program, for *Trade & Assistance Review 2008-09,* has been allocated to the *property and business services* and *education* industry groupings in the Commission's ANZSIC-based industry classification (table A.112).

Table A.112 **Allocation of Indigenous Tourism Business Ready Program by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Property & business services	-	-	-	-	-	0.4
Education	-	-	-	-	-	0.2
Unallocated services	-	0.2	0.8	1.1	0.4	0.6
Total	**-**	**0.2**	**0.8**	**1.1**	**0.4**	**1.2**

- Nil. Figures may not add to totals due to rounding.

Source: Commission estimates.

A.113 Australian Egg Corporation Limited – Research and Development

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).

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 A.113).

Table A.113 **Allocation of Australian Egg Corporation Limited – Research and Development by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Poultry farming	1.1	0.8	1.0	1.2	1.0	1.0

Source: Commission estimates.

A.114 Early Stage Venture Capital Limited Partnerships Program

Since 2006, a tax concession has been available for Early Stage Venture Capital Limited Partnerships (ESVCLP) for resident and foreign partners on revenue and capital gains derived in respect of their eligible investments (Australian Government 2010, TES Item B 58). To qualify as an ESVCLP, the size of the fund cannot exceed $100 million and the total assets of investee companies cannot exceed $50 million immediately prior to investment. The early stage venture capital limited partnership must divest itself of any holdings once the total assets of the investee company exceed $250 million. An early stage venture capital limited partnership is a flow-through investment vehicle that is progressively replacing the Pooled Development Fund program (see A.62 above).

The initial beneficiary of the ESVCLP tax concession is funds management activities. Under the Commission's ANZSIC-based industry classification, this activity is part of the broader *finance and insurance* services industry grouping (table A.114).

Table A.114 **Allocation of Early Stage Venture Capital Limited Partnerships Program by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Finance & insurance	-	-	-	-	-	1.0

- Nil.

Source: Commission estimates.

A.115 Exotic Disease Preparedness Program

The Exotic Disease Preparedness Program aims to enhance Australia's preparedness for, and responsiveness to, incursions of exotic pests and diseases of animals. The Australian Animal Health Council (AAHC) administers the program.

The program benefits several primary production industries, however, the Commission has not been able to determine to what extent each industry grouping benefits. Thus, the program has been assigned to the *unallocated primary* production grouping (table A.115).

Table A.115 **Allocation of Exotic Disease Preparedness Program by industry grouping, 2003-04 to 2008-09**

million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Unallocated primary	3.0	1.2	0.8	0.9	0.9	1.0

Source: Commission estimates.

A.116 Sustainable Regions Program

The Sustainable Regions Program provided grants for structural adjustment projects in regional areas that had been affected by major economic, social or environmental change. Local advisory committees comprising business, community and/or local government representatives were given flexibility and autonomy in recommending projects for consideration. Regions receiving funding under the program included:

- Darling Matilda Way (New South Wales);
- Northern Rivers and North Coast (New South Wales);
- Atherton Tablelands (Queensland);
- Campbelltown-Camden (New South Wales);
- Cradle Coast (Tasmania);
- Far North East (New South Wales);
- Gippsland (Victoria);
- Kimberley (Western Australia);
- Playford/Salisbury (South Australia); and
- Wide Bay Burnett (Queensland).

The Commission has been unable to determine the industry incidence of the multitude of funded projects. Consequently, funding has been allocated to the *unallocated other* grouping within the Commission's ANZSIC-based industry classification (table A.116).

Table A.116 **Allocation of Sustainable Regions Program by industry grouping, 2003-04 to 2008-09**

million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Unallocated other	20.9	22.6	36.8	7.1	4.7	0.9

Source: Commission estimates.

A.117 Land transport infrastructure borrowing's tax offsets scheme

The Land transport infrastructure borrowing's tax offsets scheme provides a tax offset, at the company tax rate and capped at $75 million per annum, for resident lenders who receive interest income from loans given for approved land transport infrastructure projects. The offset is available for the first five years of interest payments. The interest paid by the borrower is not deductible. No new projects have been admitted to the scheme since May 2004 (Australian Government 2010, TES Item B 47).

Based on information obtained from Australia Government press releases detailing approved projects and Development Allowance Authority (DAA) annual reports, this offset has been allocated across the *transport and storage* and *finance and insurance* industry groupings within the Commission's ANZSIC-based industry classification (table A.117).

Table A.117 **Allocation of Land transport infrastructure borrowing's tax offsets scheme by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Electricity, gas & water supply	7.2	2.9	1.0	-	-	-
Transport & storage	11.6	8.4	6.5	3.8	3.8	0.4
Finance & insurance	6.3	3.8	2.5	1.3	1.3	0.1
Total	**25.0**	**15.0**	**10.0**	**5.0**	**5.0**	**0.5**

- Nil. Figures may not add to totals due to rounding.

Source: Commission estimates.

A.118 Regional Headquarters program

Multinational firms establishing regional headquarters in Australia can claim, among other things, business expenses incurred in relocating from overseas (Australian Government 2010, TES Item B 8).

Under the ANZSIC system, used by the Commission, the managerial operations of a firm's head office are classified according to the core business of the firm. For example, if a pharmaceuticals producer established its regional headquarters in Sydney, the forgone tax revenue resulting from the tax deduction would be attributed to the *petroleum, coal, chemicals and associated products* industry grouping because, in this case, management costs are considered as overheads to the pharmaceuticals manufacturing industry.

This tax expenditure data, however, is not available at the firm or activity level. The regional headquarters tax deduction has therefore been allocated to the *unallocated other* grouping in the Commission's ANZSIC-based industry classification (table A.118).

Table A.118 **Allocation of Regional Headquarters program by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Unallocated other	0.5	0.5	0.5	0.5	0.5	0.5

Source: Commission estimates.

A.119 Cyclone Larry – fuel excise relief

Government reimbursements for fuel excise paid to businesses adversely affected by Cyclone Larry are exempt from income tax (Australian Government 2009, TES Item B 27). From 2008-09, this measure is included in 'taxation assistance for victims of Australian natural disasters (Annex item A.72).

Information on the industry incidence of the exemption is not available. The revenue forgone has therefore been allocated to the *unallocated other* grouping in the Commission ANZSIC-based industry classification (table A.119).

Table A.119 **Allocation of Cyclone Larry fuel excise relief by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Unallocated other	-	-	-	1.0	0.5	-

- Nil.

Source: Commission estimates.

A.120 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 intension for the fund was 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 2004, Macfarlane 2004a and DITR 2005). The fund was closed to new applications in 2006.

The DIISR has provided information on the industry incidence of SAFSA funding by the ANZSIC industry classification. These industry shares have been used to allocate SAFSA program funding across the Commission's ANZSIC-based industry groupings (table A.120).

Table A.120 **Allocation of Structural Adjustment Fund for South Australia by industry grouping, 2003-04 to 2008-09**

million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Petroleum, coal & chemicals	-	2.7	-	-	-	-
Other manufacturing	-	-	-	-	-	<0.1
Unallocated manufacturing	-	-	-	-	-	0.3
Education	-	-	-	-	-	0.2
Unallocated other	-	-	13.1	10.5	7.0	-
Total	**0.0**	**2.7**	**13.1**	**10.5**	**7.0**	**0.5**

- Nil. Figures may not add to totals due to rounding.

Source: Commission estimates.

A.121 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.[5] The grant is 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).

In June 2007, the Australian Government announced the launch of the 'Australian Grown' logo. The objective of the initiative was to help Australian consumers to quickly identify packaged foods that have been grown on Australian farms. Australian exporters would also be able to make use of the logo in overseas

5 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.

markets. An extension of the 'Australian Made' logo, the Government committed up to $1.7 million to support the initiative (McGauran 2007).

Details of the industries using the logo are not available. The funding has therefore been allocated to the *unallocated other* grouping in the Commission's ANZSIC-based industry classification (table A.121).

Table A.121 **Allocation of Australian Made Campaign by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Unallocated other	-	0.9	0.7	0.5	0.9	0.4

- Nil.

Source: Commission estimates.

A.122 Tobacco Grower Adjustment Assistance 2006

In October 2006, the Australian Government announced a funding package to assist tobacco growers to restructure and move into alternative business activities. As at early 2007, the package was comprised of funding of $45.9 million, of which former tobacco growers of Northern Queensland would be eligible for up to $23.2 million, with those in Victoria and Southern Queensland eligible for up to $21.8 million and $900 000, respectively. The maximum grant per grower was $150 000 (McGauran 2006).

The package selectively benefits firms involved or previously involved in tobacco growing and funding has been allocated to the *other crop growing* industry grouping in the Commission's ANZSIC-based industry groupings (table A.122).

Table A.122 **Allocation of Tobacco Grower Adjustment Assistance 2006 by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Other crop growing	-	-	-	39.3	14.4	0.3

- Nil.

Source: Commission estimates.

A.123 Queensland Tourism Assistance Package

In June 2008, the Australian Government introduced the Queensland Tourism Assistance package in response to a commercial decision by a number of airlines to reduce aviation services to North Queensland. The package includes $2 million for marketing measures (managed by Tourism Australia) and $2 million to strengthen the supply-side of the industry (managed by the Department of Resources, Energy and Tourism) (DRET 2009). The main components of the package included:

- repositioning and vulnerabilities research projects;
- workshops for local food, agri-tourism and nature-based tourism stakeholders to support business development and collaboration opportunities;
- accreditation initiatives to enhance tourism quality;
- initiatives to enhance Indigenous participation in tourism;
- a collaborative project with industry stakeholders to identify the competitive strengths of the experiences offered by the Great Barrier Reef within the international market;
- funding support for the region's bid to host the 2012 Asian Routes Development Forum; and
- initiatives to progress practical research outcomes, including conducting stakeholder and export focused workshops, providing funding to improve regional forecasting capability and to help the region embrace web-based technologies, and providing sponsorship for the Australian Tourism Export Council to host a health tourism symposium.

The package selectively benefits activities providing tourism services. Details of the specific industry incidence of the package within the services sector, however, are not available and the funding has been allocated to the *unallocated services* grouping in the Commission's ANZSIC-based industry classification (table A.123).

Table A.123 **Allocation of Queensland Tourism Assistance Package by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Unallocated services	-	-	-	-	-	0.3

- Nil.

Source: Commission estimates.

A.124 Tasmanian wheat freight subsidy

The Tasmanian Wheat Freight Shipping subsidy is designed to assist cereal processing, intensive animal feedlot and aquaculture industries in Tasmania. The subsidy is designed to equate the price of wheat in Tasmania with the mainland, and to compensate for the increased cost of transporting to Tasmania.

The scheme selectively benefits the end users of wheat in Tasmania. A Centre for International Economics study (CIE 2001) reports that the major users of wheat imports are flour mills and animal feed lots. In drought years, additional grain may be imported for use by graziers. Data from the study has been used to allocate the funding for the scheme between *food beverages and tobacco* (flour mill use) and *grain, sheep and beef cattle farming* (feed lot and grazing use) (table A.124). No claims were made in 2005-06. Since then the small amount of claims has been allocated to the *unallocated other* grouping.

Table A.124 **Allocation of Tasmanian wheat freight subsidy by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Grain, sheep & beef cattle	0.8	0.4	-	-	-	-
Food, beverages & tobacco	0.4	0.2	-	-	-	-
Unallocated other	-	-	-	0.6	0.9	0.3
Total	**1.2**	**0.6**	**0.0**	**0.6**	**0.9**	**0.3**

- Nil. Figures may not add to totals due to rounding.

Source: Commission estimates.

A.125 Regional Equalisation Plan

In May 2001, the Australian Government introduced the Regional Equalisation Plan. The plan is designed to assist the rollout of digital television and data-casting services to Australians living in regional and remote Australia. The plan is expected to provide financial assistance to commercial television broadcasters of around $260 million over 13 years starting in 2001-02.

Assistance provided under the plan represents around 50 per cent of the capital and operating costs to regional commercial broadcasters in converting to digital. Assistance was mostly provided in the form of rebates on annual licence fees paid by the broadcasters.

The plan selectively benefits commercial television broadcasting activities and funding has been allocated to the *communication services* industry in the Commission's ANZSIC-based industry groupings (table A.125).

Table A.125 **Allocation of Regional Equalisation Plan by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Communication services	22.8	24.2	24.2	24.8	23.7	0.3

Source: Commission estimates.

A.126 Torres Strait Prawn Fisheries Program

The Torres Strait Prawn Fisheries Program (TSPFP) provided funding for research into alternative management strategies to ensure the fishery's long term viability, and also increased funding to the Australian Fisheries management Authority in response to increased costs during the development of new management arrangements (DAFF 2008).

The TSPFP selectively benefits prawn fishing activities and funding from the program has been allocated to the *fisheries* industry in the Commission's ANZSIC-based industry groupings (table A.126).

Table A.126 **Allocation of Torres Strait prawn fisheries program by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Fisheries	-	-	-	0.6	21.1	0.2

- Nil.

Source: Commission estimates.

A.127 National Livestock Identification System

The National Livestock Identification System (NLIS) is Australia's system for identification and traceability of livestock — especially cattle, sheep and goats. The NLIS was introduced in 1999 to meet European Union requirements for cattle exports. Since its introduction, the system has expanded to enable livestock to be traced from property of birth to slaughter for:

- biosecurity;
- meat safety;
- product integrity; and
- market access (MLA 2010).

The Australian Government provides funding to assist the livestock industry to implement the NLIS.

The NLIS selectively benefits firms engaged in livestock farming which are predominately located in the *grain, sheep and beef cattle* industry grouping in the Commission's ANZSIC-based industry classification (table A.127).

Table A.127 **Allocation of National Livestock Identification System by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Grain, sheep & beef cattle	-	5.0	5.0	5.0	4.7	0.2

- Nil.

Source: Commission estimates.

A.128 Automotive Supply Chain Development Program

The Automotive Supply Chain Development Program (ASCDP) provides funding to assist the automotive components sector to enhance its capabilities and to better integrate into local and global supply chains. The ASCDP will provide $20 million in grants to 2012-13 (Carr 2010).

The ASCDP selectively benefits activities in the automotive components industry and funding from the program has been allocated to the *motor vehicles and parts* industry grouping in the Commission's ANZSIC-based industry classification (table A.128).

Table A.128 **Allocation of Automotive Supply Chain Development Program by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Motor vehicles & parts	-	-	-	-	-	0.1

- Nil.

Source: Commission estimates.

A.129 New Industries Development program

The New Industry Development Program (NIDP) commenced in 2001. The NIDP is intended to help small to medium-sized enterprises gain financial assistance and business skills to commercialise new agribusiness projects, services and technologies (DAFF 2009b).

Information from Australian Government press releases detailing approved projects have been used to allocate total program funding across the Commission's ANZSIC-based industry classification (table A.129).

Table A.129 **Allocation of New Industries Development program by industry grouping, 2003-04 to 2008-09**

million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Horticulture & fruit growing	1.1	1.2	0.9	0.6	0.3	<0.1
Grain, sheep & beef cattle	0.2	0.3	0.2	0.1	0.1	<0.1
Dairy cattle farming	0.3	0.3	0.2	0.1	0.1	<0.1
Poultry farming	0.1	0.1	0.1	0.1	<0.1	<0.1
Other livestock farming	0.2	0.3	0.2	0.1	0.1	<0.1
Other crop growing	0.1	0.1	0.1	0.1	<0.1	<0.1
Fisheries	0.3	0.3	0.3	0.2	0.1	<0.1
Mining	0.1	0.1	0.1	0.1	<0.1	<0.1
Food, beverages & tobacco	0.4	0.4	0.3	0.2	0.1	<0.1
Petroleum, coal & chemicals	0.2	0.3	0.2	0.1	0.1	<0.1
Other machinery & equipment	0.1	0.1	0.1	0.1	<0.1	<0.1
Total	**3.2**	**3.5**	**2.6**	**1.7**	**0.8**	**<0.1**

- Nil. Figures may not add to totals due to rounding.

Source: Commission estimates.

A.130 Assistance to the vegetable industry

The Australian Government established the Australian Vegetable Industry Development Group (AVIDG) to examine options for improving the vegetable industry's competitiveness. The AVIDG established seven project themes, including: the development of a vegetable industry strategic plan; market development; industry information and decision support frameworks; global comparative analysis; leadership and industry structures; industry benchmarking; and business skill development. The Government has provided funding for specific projects to address these themes (DAFF 2008).

Funding from the program selectively benefits vegetable growers which are located in the *horticulture and fruit growing* industry grouping in the Commission's ANZSIC-based industry classification (table A.130).

Table A.130 **Allocation of assistance to the vegetable industry by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Horticulture & fruit growing	-	-	0.3	1.0	1.1	<0.1

- Nil.

Source: Commission estimates.

A.131 ABC and SBS digital interference scheme

The ABC and SBS Digital Interference Scheme was established to reimburse the ABC and SBS for the cost of their contribution to the Digital Interference Management Strategy. The strategy helps consumers overcome any interference problems associated with the introduction of new free-to-air digital television services. The strategy is administered by Free TV Australia on behalf of all participating broadcasters, including the ABC and SBS. The scheme was closed in 2009-10 (DBCDE 2009).

The scheme selectively benefits operators in the *communications services* industry grouping in the Commission's ANZSIC-based industry classification (table A.131).

Table A.131 **Allocation of ABC and SBS digital interference scheme by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Communication services	0.1	0.1	<0.1	<0.1	<0.1	<0.1

Source: Commission estimates.

A.132 Howe Leather – loans and repayments

In June 1998, a World Trade Organization (WTO) panel was established to determine whether a grant and loan to Howe Leather were export subsidies. The Panel found that the grant (but not the loan) was an export subsidy and recommended that Australia withdraw the grant within 90 days.

In September 1999, the Australian Government announced that, to comply with the WTO finding, the grant contract would be terminated and that Howe Leather was to repay $8 million of the $30 million provided in 1997. The Government also announced that it would provide an additional loan of around $14 million to Howe Leather.

In October 1999, the United States further submitted to the WTO Dispute Settlement Body that the (partial) withdrawal of the grant and the new loan by the Australian Government were inconsistent with the WTO original finding. The United States requested the original Panel to rule on the new assistance regime within ninety days.

In January 2000, the WTO Panel found that Australia had failed to withdraw the subsidy, and therefore had not taken measures to comply with the previous ruling. It considered that provision of the new loan of $14 million was specifically conditioned on, and therefore nullified, Howe Leather's repayment of $8 million, such that no repayment had effectively taken place.

The measure applies specifically to Howe Leather whose activities are part of the *textile, clothing and footwear* industry grouping in the Commission's ANZSIC-based industry classification (table A.132). A negative number in the table means a net flow of funds from Howe Leather to the government.

Table A.132 **Allocation of Howe Leather loan repayment by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Textile, clothing & footwear	-2.3	-2.5	-2.4	-3.2	-3.4	-3.1

Source: Commission estimates.

A.133 Tax deductions for grape vines

Capital expenditure incurred on or after 1 July 1993, and used to acquire and establish grapevines for use in a business of primary production, is deductable over a four year period under the Section 387-D of the *Income Tax Assessment Act 1997*. Deductions are available from the time vines are planted (Australian Government 2010, TES Item B 72). Under the arrangements, capital expenditure is written off earlier than would be the case in the absence of the scheme.

The estimates, either positive or negative, reflect the net cost to the government of having the scheme in place relative to the tax expenditure not being available. Negative estimates are recorded from 2007-08 onwards.

The tax deduction targets grape growers and has been allocated to the *horticulture & fruit growing* industry grouping (table A.133).

Table A.133 **Allocation of tax deductions for grape vines by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Horticulture & fruit growing	9.0	9.0	7.0	3.0	-1.0	-4.0

Source: Commission estimates.

A.134 Film industry division 10B & 10BA

Under the Film industry division 10B and 10BA tax concession, capital expenditures incurred in acquiring an interest in the initial copyright of a new Australian film can either be deducted immediately (for certain types of film) or written off over two years. The divisions were repealed effective from 1 July 2010 (Australian Government 2010, TES Item B 71). Under the arrangements, capital expenditure is written off earlier than would be the case in the absence of the scheme.

The estimates, either positive or negative, reflect the net cost to the government of having the scheme in place relative to the tax expenditure not being available. Negative estimates are recorded from 2004-05 onwards.

The Film industry division 10B & 10BA concession selectively benefits activities in the film industry and has been allocated to the *cultural and recreational services* industry grouping in the Commission's ANZSIC-based industry classification (table A.134).

Table A.134 **Allocation of film industry division 10B & 10BA by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Cultural & recreational services	3.0	-1.0	-2.0	-13.0	-13.0	-16.0

Source: Commission estimates.

A.135 R&D tax offset payments (exemption)

Payments made under the R&D tax offset program (see A.6) are exempt from tax. In addition, companies that claim the offset are unable to claim deductions for the R&D expenditures concerned. This is because payments made under the offset have already provided these companies with a benefit equivalent to the value of these deductions. The absence of these deductions constitutes a negative tax expenditure. The estimates have been negative since 2006-07 (Australian Government 2010, TES Item B 66).

Information on the industry incidence of this tax exemption is not available. The expenditure is therefore allocated to the *unallocated other* grouping in the Commission's ANZSIC-based industry classification (table A.135).

Table A.135 **Allocation of R&D tax offset payments by industry grouping, 2003-04 to 2008-09**
million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Unallocated other	35.0	2.0	5.0	-25.0	-50.0	-65.0

Source: Commission estimates.

A.136 12-month prepayment rule (forestry managed investments)

Under the 12-month prepayment rule, prepayments on seasonally dependent agronomic operations in the establishment of a forestry plantation were immediately deductible. This was conditional upon the 'prepayment expenditure' meeting certain requirements, including that the activities in question are completed within 12 months of the prepayment being made or the activities commencing and by the end of the following financial year. This tax expenditure was available for investors in forestry managed investment schemes (Australian Government 2010, TES Item B 34). Under the arrangements, expenditure is written off earlier than would be the case in the absence of the scheme.

The estimates, either positive or negative, reflect the net cost to the government of having the scheme in place relative to the scheme not being available. Negative estimates are recorded in certain years.

The 12 month repayment rule selectively benefits activities in the forestry industry and the concession has been allocated to the *forestry and logging* industry grouping in the Commission's ANZSIC-based industry classification (table A.136).

The prepayment rule has been replaced by a statutory deduction for investments in forestry managed investment schemes.

Table A.136 **Allocation of 12-month prepayment rule by industry grouping, 2003-04 to 2008-09**

million (nominal)

Industry grouping	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*
Forestry & logging	-15.0	40.0	40.0	-10.0	-5.0	-95.0

Source: Commission estimates.

B Alphabetical listing of budgetary assistance programs

This appendix presents an alphabetical listing of each program reported in appendix A. The section in which each program appears is also reported (table B.1).

Table B.1 **Alphabetical listing of programs by Appendix A section heading**

Program	*Section*
ABC and SBS digital interference scheme	A.131
Advanced Electricity Storage	A.68
Advancing Agricultural Industries Program	A.109
Assistance to the vegetable industry	A.130
Austrade	A.23
Australian Animal Health Laboratory	A.75
Australian Egg Corporation Limited – Research and Development	A.113
Australian Made Campaign – Export Marketing Strategy	A.121
Australian Pork Limited – Research and Development	A.98
Australian Tourism Development Program	A.89
Australian Wool Innovation Limited – Research and Development	A.60
Australia's Forest Industry – Preparing for the Future	A.94
Automotive Competitiveness and Investment Scheme	A.3
Automotive Industry Structural Adjustment Program	A.73
Automotive Supply Chain Development Program	A.128
Bass Straight Passenger Vehicle Equalisation scheme	A.36
Brandy preferential excise rate	A.83
Business Assistance Fund for disasters – tax exemption	A.71
Capital expenditure deduction for mining, quarrying and petroleum operations	A.52
Caring for Our Country – Landcare	A.35
Climate Change Adaption Partnerships Program	A.64
Climate Change Adjustment Program	A.93
Climate Change and Productivity Research Program	A.66
Commercial Ready program	A.25
Commercialising Emerging Technologies (COMET program)	A.61
Cooperative Research Centres	A.15
Cotton Research and Development Corporation	A.100
CSIRO research	A.7
Cyclone Larry – fuel excise relief	A.119

Table B.1 **(continued)**

Program	*Section*
Dairy Australia – Research and Development	A.41
Drought Assistance – Murray Darling Basin Grants to Irrigators	A.29
Drought Assistance – Professional Advice	A.55
Drought Assistance – Re-establishment Assistance	A.44
Duty Drawback	A.18
Early Stage Venture Capital Limited Partnerships Program	A.114
EFIC national interest business	A.69
Energy Innovation Fund	A.80
Enterprise Connect Innovation Centres	A.82
Ethanol Distribution program	A.77
Ethanol production subsidy	A.26
Exceptional Circumstances – interest rate subsidies	A.5
Exceptional Circumstances – relief payments	A.9
Exemption of refundable film tax offset payments	A.43
Exotic Disease Preparedness Program	A.115
Export Market Development Grants scheme	A.13
Farm Help	A.106
Farm Management Deposits scheme	A.16
Film industry division 10B & 10BA	A.134
Fisheries Research and Development Corporation	A.48
Fisheries Research Program	A.105
Fisheries Resources Research Program	A.95
Fisheries Structural Adjustment Package	A.46
Forest and Wood Products Research and Development Corporation	A.92
Geelong Innovation and Investment Fund	A.104
Grains Research and Development Corporation	A.33
Grape and Wine Research and Development Corporation	A.59
Greenhouse Gas Abatement Program	A.111
High Costs Claims scheme	A.40
Horticulture Australia Limited – Research and Development	A.31
Howe Leather – loans and repayments	A.132
ICT Centre of Excellence	A.38
Income tax averaging provisions for primary producers	A.24
Indigenous Broadcasting Program	A.56
Indigenous Tourism Business Ready Program	A.112
Industry Cooperative Innovation Program	A.86
Infrastructure Bonds scheme	A.84
Innovation Investment Fund	A.70
Innovation Investment Fund for South Australia	A.76
Interim Income Support (Exceptional Circumstances)	A.107
Land and Water Australia – Research and Development	A.57
Land transport infrastructure borrowing's tax offsets scheme	A.117
Low Emissions Technology and Abatement Program	A.108
Low Emissions Technology Demonstration Fund	A.99

Table B.1 (continued)

Program	Section
LPG Vehicle Scheme	A.14
Meat and Livestock Australia – Research and Development	A.37
National Livestock Identification System	A.127
National Low Emissions Coal Initiative	A.67
National Stem Cell Centre	A.81
National Urban Water and Desalination Plan	A.65
National Weeds and Productivity Research Program	A.96
New Industries Development program	A.129
Offshore Banking Unit tax concession	A.10
Pharmaceuticals Partnerships Program	A.50
Pooled Development Funds	A.62
Premium R&D tax concession	A.8
Premium Support scheme	A.49
Pre-seed Fund	A.78
Promoting Australian Produce program	A.97
Queensland Tourism Assistance Package	A.123
R&D Start	A.103
R&D tax concession	A.2
R&D tax offset for small companies	A.6
R&D tax offset payments (exemption)	A.135
Refundable tax offset for large scale film production	A.30
Regional Equalisation Plan	A.125
Regional Headquarters program	A.118
Regional Partnerships Program	A.54
Remote Renewable Power Generation program	A.32
Renewable Energy Development Initiative	A.42
Rural Financial Counselling Service	A.53
Rural Industries Research and Development Corporation	A.47
Scottsdale Industry and Community Development Fund	A.102
Screen Australia	A.21
Small Business Advisory Services Program	A.58
Small business capital gains tax 50 per cent reduction	A.1
Small business capital gains tax exemption for assets held more than 15 years	A.19
Small business capital gains tax retirement exemption	A.4
Small business capital gains tax rollover relief	A.11
Small Business Program	A.91
Solar Cities initiative	A.74
South Australia Innovation and Investment Fund and Labour Assistance Package	A.90
Structural Adjustment Fund for South Australia	A.120
Sugar Industry Reform Program – 2004	A.87
Sugar Research and Development Corporation	A.79
Sustainable Regions Program	A.116
Sustainable Rural Water Use and Infrastructure program	A.45
Tasmanian Community Forest Agreement	A.34

Table B.1 **(continued)**

Program	*Section*
Tasmanian Forest Tourism initiative	A.51
Tasmanian Freight Equalisation Scheme	A.20
Tasmanian wheat freight subsidy	A.124
Tax deduction for conserving or conveying water	A.39
Tax Deduction for horticultural plantations	A.85
Tax deductions for grape vines	A.133
Taxation assistance for victims of Australian natural disasters	A.72
TCF corporate wear program	A.27
TCF Product Diversification Scheme	A.88
TCF Small Business Program	A.101
TCF Strategic Investment Program Scheme – Post 2005	A.22
TCF Structural Adjustment Program	A.110
Tobacco Grower Adjustment Assistance 2006	A.122
Torres Strait Prawn Fisheries Program	A.126
Tourism Australia	A.17
TRADEX	A.28
12-month prepayment rule (Prepayment rule for forestry managed investments)	A.136
25 per cent entrepreneurs' tax offset	A.12
Venture Capital Limited Partnerships	A.63

Source: Commission estimates.

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