# 4 Assistance estimates

Industry is assisted through a wide array of government programs, regulatory instruments and policies. Each year, the Commission updates and publishes estimates of the assistance afforded by:

* import tariffs, which mainly assist the manufacturing sector while raising costs to consumers and to industries that use manufactured and other tariff-assisted inputs;
* Australian Government budgetary measures — divided into government outlays and tax concessions — which apply to the primary production, mining, manufacturing and services sectors; and
* certain agricultural pricing and regulatory measures.

As well as providing estimates for these three categories, the Commission aggregates them to yield an estimate of the ‘combined’ assistance for four broad industry sectors of the Australian economy — ‘primary production’, ‘mining’, ‘manufacturing’ and ‘services’ — along with effective rates of assistance for the primary, mining and manufacturing sectors. For each category of assistance, the Commission provides more detailed estimates of assistance by 34 industry groupings. Where industry detail is not available, estimates are assigned to one of four ‘unallocated’ categories (primary production, manufacturing, services or other).

The Commission also disaggregates its estimates of budgetary assistance into categories (such as R&D, export assistance and support to small business) to facilitate more detailed assessments of changes in the composition and nature of assistance.

While the estimates cover a broad range of measures that afford support to industry, the estimates do not capture all Australian Government support for industry (box 4.1), nor State government assistance. The assistance provided through government regulation is also not included in the estimates.

The following sections present the most recent — 2012‑13 — estimates and report on broad changes in the structure of industry assistance over the last four decades.

|  |
| --- |
| Box 4.1 Coverage of the Commission’s assistance estimates |
| The Commission’s assistance estimates cover only those measures that selectively benefit particular firms, industries or activities, and that can be quantified given practical constraints in measurement and data availability. Arrangements that may have assistance implications but are not part of the estimates include:   * quarantine restrictions; * the allocation and pricing of water resources; * the effects of government purchasing preferences and local content arrangements — for example, as they affect the manufacturing sector, information technology industries and broadcasting; * regulatory restrictions on competition — such as those relating to pharmacies, air services, importation of books and media and broadcasting; * anti-dumping and countervailing measures; * general taxes and certain differential tax rates, including in relation to excises, the GST, payroll tax, superannuation and carbon emissions; * State and Territory government support to industry, other than designated agricultural marketing arrangements and rural support programs; * government programs affecting a range of services industries, mainly relating to the provision of health, education, and community services; * government programs affecting national security and public safety, including police and defence programs; * government programs and taxation concessions affecting professional sport and the arts; * government programs affecting the labour market; and * resource access arrangements including to mining, forestry and fisheries. |
|  |
|  |

## 4.1 Tariff assistance

Tariffs have direct effects on the returns received by Australian producers. The Commission’s estimates of tariff assistance are divided into three main categories — ‘output’ assistance, ‘input’ assistance and ‘net’ assistance.

* Tariffs on imported goods increase the price at which those goods are sold on the Australian market and, thus, allow scope for domestic producers of competing products to increase their prices. These effects are captured by the Commission’s estimates of output assistance.
* On the other hand, tariffs also increase the price of local and imported goods that are used as inputs and thus penalise local user industries. This ‘penalty’ is reduced if tariff concessions are available to Australian producers. The penalties are reflected in the Commission’s estimates of input assistance.
* Net tariff assistance represents the ‘effective’ assistance provided through tariffs to industry, and is calculated as output tariff assistance less the input assistance, where input assistance is the cost penalty on business inputs imposed by tariffs.

### Output assistance

The Commission estimates that the gross value of tariff assistance to domestic production was around $7.8 billion in 2012‑13 (table 4.1). The estimated declines in the years 2009‑10 and 2010‑11 mainly reflect reductions in assistance to passenger motor vehicles and parts, and textiles, clothing and footwear products in January 2010. The estimated decline in 2012‑13 reflects lower output levels in tariff assisted activities (mainly metal and fabricated metal products, food, beverages and tobacco, and petroleum, coal, chemical and rubber products).

Table 4.1 Tariff assistance, 2007‑08 to 2012‑13a

$ million (nominal)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
| Output assistance | 8891.2 | 8936.3 | 8396.0 | 8080.5 | 8115.0 | 7843.1 |
| Input penalty | -6444.0 | -6717.0 | -6665.4 | -6660.4 | -7049.0 | -7112.4 |
| Net tariff assistance | 2447.1 | 2219.3 | 1730.6 | 1420.1 | 1066.0 | 730.7 |

a Nominal tariff assistance estimates are derived by re-indexing a reference series based on 2008‑09 ABS input-output data, using ABS Industry Gross Value Added at current prices data and supporting data, for all industries except Mining. For Mining, in order to abstract from the effects of terms of trade changes, the estimates are re-indexed using the ABS Industry Gross Value Added, chain volume measures. This information is subject to periodic revision by the ABS.

*Source*: Commission estimates.

### Input penalty

The estimated cost penalty on inputs to user industries (including primary, manufacturing and services industries) arising from tariffs was around $7.1 billion in 2012‑13. This compares with a penalty of around $6.4 billion in 2007‑08. The estimated penalty has increased in nominal terms with the general growth in the economy and rising price levels. This increase was moderated in both 2009‑10 and 2010‑11 by reductions in tariffs on passenger motor vehicles and parts, and textiles, clothing and footwear products in January 2010.

### Net tariff assistance

After deducting the tariff input penalty from the output assistance, net tariff assistance (for the Australian economy) was estimated to be around $0.7 billion in 2012‑13, down from nearly $2.5 billion in 2007‑08. This reflects both high relative growth in the services sector (which incurs significant tariff penalties), especially relative to the manufacturing sector (a significant beneficiary of tariff assistance), together with some reductions in tariffs applied to manufactured products.

In the Commission’s tariff assistance estimates, preferences granted under Australia’s preferential trading agreements are treated on the basis that domestic prices in Australia remain unchanged (box 4.2).

|  |
| --- |
| Box 4.2 Treatment of preferential tariffs in assistance estimates |
| The tariff preferences provided under Australia’s preferential trading agreements (PTAs) need not result in any change in prices in the domestic market and, thus, in assistance to Australian industry provided by the general (Most Favoured Nation (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 reduce the prices of imported products in the Australian market, assistance to the relevant industry’s outputs would be lower than that implied by the MFN rate. At the same time though, where 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. |
| *Sources*: PC (2004a; 2004b; 2008). |
|  |
|  |

### Tariff assistance by industry grouping

Most tariff assistance on outputs is directed towards the manufacturing sector, and in particular the *Food, beverages and tobacco* ($1.7 billion), *Metal and fabricated metal products* ($1.7 billion), *Petroleum, coal, chemical and rubber products* ($1 billion), and *Motor vehicles and parts* ($0.8 billion) industry groups (table 4.2 left hand column).

Table 4.2 Tariff assistance by industry grouping, 2012‑13a,b

$ million (nominal)

|  |  |  |  |
| --- | --- | --- | --- |
| Industry grouping | Output assistance | Input cost penalty | Net tariff assistance |
| **Primary production** | **241.9** | **-81.6** | **160.3** |
| Horticulture and fruit growing | 177.1 | -11.2 | 165.9 |
| Sheep, beef cattle and grain farming | 0.2 | -16.1 | -15.9 |
| Other crop growing | 2.1 | -4.0 | -2.0 |
| Dairy cattle farming | – | -2.0 | -2.0 |
| Other livestock farming | – | -4.1 | -4.1 |
| Aquaculture and fishing | 1.0 | -15.4 | -14.4 |
| Forestry and logging | 61.7 | -12.2 | 49.5 |
| Primary production support services | 0.0 | -16.6 | -16.6 |
| **Mining** | **1.0** | **-216.8** | **-215.8** |
| **Manufacturing** | **7600.1** | **-2078.4** | **5521.7** |
| Food, beverages and tobacco | 1739.8 | -494.7 | 1245.1 |
| Textile, leather, clothing and footwear | 301.1 | -61.5 | 239.6 |
| Wood and paper products | 640.3 | -129.7 | 510.6 |
| Printing and recorded media | 220.2 | -35.7 | 184.5 |
| Petroleum, coal, chemical and rubber products | 1024.1 | -299.1 | 725.0 |
| Non-metallic mineral products | 247.6 | -42.5 | 205.1 |
| Metal and fabricated metal products | 1675.3 | -397.8 | 1277.5 |
| Motor vehicle and parts | 836.3 | -308.0 | 528.3 |
| Other transport equipment | 77.3 | -69.0 | 8.4 |
| Machinery and equipment manufacturing | 628.8 | -189.5 | 439.3 |
| Furniture and other manufacturing | 209.5 | -51.0 | 158.4 |
| **Services** | – | **-4735.5** | **-4735.5** |
| Electricity, gas, water and waste services | – | -97.1 | -97.1 |
| Construction | – | -1698.1 | -1698.1 |
| Wholesale trade | – | -259.8 | -259.8 |
| Retail trade | – | -188.0 | -188.0 |
| Accommodation and food services | – | -523.6 | -523.6 |
| Transport, postal and warehousing | – | -211.8 | -211.8 |
| Information, media and telecommunications | – | -145.7 | -145.7 |
| Financial and insurance services | – | -9.7 | -9.7 |
| Property, professional and admin. services | – | -620.9 | -620.9 |
| Public administration and safety | – | -217.8 | -217.8 |
| Education and training | – | -120.3 | -120.3 |
| Health care and social assistance | – | -274.9 | -274.9 |
| Arts and recreation services | – | -79.1 | -79.1 |
| Other services | – | -288.7 | -288.7 |
| **Total** | **7843.1** | **-7112.4** | **730.7** |

– Nil. a See footnote (a) in table 2.1. b Totals may not add due to rounding.

*Source*: Commission estimates.

Mining and primary production industries receive little tariff assistance on outputs, and tariffs are not levied on services. On the other hand, tariffs impose input-cost penalties on all industries (because of their cost-raising effects on inputs) (table 4.2 middle column). Around two thirds of the input penalty on tariffs is incurred by services industries.

All manufacturing industries are estimated to receive positive net tariff assistance, as the value of tariff assistance on outputs outweighs the cost impost of tariffs on inputs for each industry group (table 4.2 right hand column).

Outside the manufacturing sector, the *Horticulture and fruit growing* and *Forestry and logging* industries are also estimated to have received positive net tariff assistance in 2012‑13. Some import competing products in these two particular industry groups are protected by tariffs on imports (for example, grapes and softwood conifers).

The *Mining* industry together with all of the services industries (and most primary production industries) incurred negative net tariff assistance in 2012‑13.

### Net tariff assistance by industry sector

The estimated value of net tariff assistance for the manufacturing sector has decreased by around 14 per cent since 2007‑08, largely reflecting reductions in tariff assistance to the *Textiles, clothing, footwear and leather*, and *Motor vehicles and parts* industries in January 2010 (table 4.3). The year-to-year changes are also affected by activity levels in tariff-assisted activities. At the same time, the net tariff penalty on the services sector has increased by 22 per cent (to over $4.7 billion), reflecting growth in the use of tariff assisted manufactures as the sector has expanded. Similarly, the net tariff penalty on the mining sector has also increased over the period.

Table 4.3 Net tariff assistance by industry sector, 2007‑08 to 2012‑13a

$ million (nominal)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
| Primary production | 78.1 | 125.0 | 142.3 | 139.3 | 145.6 | 160.3 |
| Mining | -174.0 | -179.5 | -186.9 | -184.0 | -197.7 | -215.8 |
| Manufacturing | 6419.7 | 6408.8 | 5967.8 | 5732.2 | 5734.0 | 5521.7 |
| Service | -3876.6 | -4135.1 | -4192.5 | -4267.4 | -4615.9 | -4735.5 |
| **Total** | **2447.1** | **2219.3** | **1730.6** | **1420.1** | **1066.0** | **730.7** |

a Nominal tariff assistance estimates are derived by re-indexing a reference series based on 2008‑09 ABS input-output data, using ABS Industry Gross Value Added and supporting data at current prices data for all industries except Mining. For Mining, in order to abstract from the effects of terms of trade changes, the estimates are re-indexed using the ABS Industry Gross Value Added, chain volume measures. This information is subject to periodic revision by the ABS.

*Source*: Commission estimates.

Although the value of tariff assistance to primary production has trended higher over the period, it has varied from year-to-year with changes in the value of activity in the sector, including changes as a consequence of drought. In particular, between 2007‑08 to 2012‑13, the *Horticulture and fruit growing* and *Forestry and logging* industries — industries that receive positive net tariff assistance — have grown more in absolute terms than other primary production industries — industries that, as a group, incur negative net tariff assistance.

## 4.2 Australian Government budgetary assistance

Budgetary assistance includes actual payments (outlays) and industry and sector specific tax concessions that have industry policy objectives (figure 4.1). Some measures provide assistance directly to firms, such as the Automotive Transformation Scheme and taxation concessions on R&D expenditures, while other budgetary support measures deliver benefits indirectly to an industry via intermediate organisations such as the Rural Industries Research and Development Corporations and the Commonwealth Scientific and Industrial Research Organisation (CSIRO).

Figure 4.1 Forms of budgetary assistance

|  |
| --- |
| **Budgetary assistance**  Budgetary outlays   1. industry or sector specific   Tax concessions   1. industry or sector specific   Direct financial   1. bounties, grants, subsidies 2. interest rate subsidies 3. credits, loans 4. loan guarantees, insurance 5. equity injections   Funding to organisations that perform services of benefit to industry  Direct financial   1. exemptions 2. deductions 3. rebates 4. preferential tax rates 5. deferred tax |

The budgetary assistance estimates are derived primarily from actual expenditures shown in departmental and agency annual reports, and the Australian Treasury Tax Expenditures Statement (TES). Industry and sectoral disaggregations are based primarily on supplementary information provided by relevant departments or agencies.

### Aggregate budgetary assistance

The estimated gross value of budgetary assistance to Australian industry was around $7.8 billion in 2012‑13,[[1]](#footnote-2) compared with $10.0 billion in 2011‑12 and $8.4 billion in 2007‑08 in nominal terms (figure 4.2). In real terms, this represents a decline of 22 per cent since 2011‑12 and 20 per cent since 2007‑08.

Figure 4.2 Budgetary assistance to industry, 2007‑08 to 2012‑13

$ billion (nominal)

|  |
| --- |
|  |

*Sources*: Commonwealth Budget and budget-related papers (various years); departmental annual reports (various years); Australian Government (2014); Commission estimates.

The main reasons for the reduction in aggregate budgetary assistance in 2012‑13 are:

* the cessation of transitional assistance afforded by the Energy Security Fund ($1 billion in 2011‑12), Coal Sector Jobs Package ($219 million in 2011‑12) and Steel Transformation Plan ($164 million in 2011‑12), together with a number of other programs that were afforded around $200 million in budgetary assistance in 2011‑12;
* a decrease of around $500 million in assistance afforded by the Small Business and General Business Tax Break;
* decreases of around $80 million each in assistance afforded by the Farm Management Deposits Scheme and the Green Car Innovation Fund; and
* decreases of around $50 million and $45 million, respectively, in assistance afforded by the Sustainable Rural Water Use and Infrastructure Program and the Income tax averaging provisions scheme.

On the other hand, there were some increases in budgetary assistance in 2012‑13, including:

* around $50 million and $40 million, respectively, in assistance under the Small Business Capital Gains Tax 50 Per Cent Reduction and the Offshore Banking Unit Tax Concession; and
* increases of around $340 million in other on-going programs.

There were also changes in R&D arrangements that involved a reduction of $940 million in industry assistance afforded by the R&D Tax Concession and Premium R&D Tax Concession in 2012‑13, and a largely offsetting increase of $931 million provided through the R&D Tax Offsets scheme. The R&D Tax Offsets scheme includes the R&D Tax Incentive, the replacement scheme for the R&D Tax Concession and Premium R&D Tax Concession.

Not all taxation concessions affording assistance to industry are quantified in the Treasury’s annual TES. In cases where quantification is not practicable, the TES generally provides indicative ranges within which the value of the concession may fall. The 2013 TES identifies 50 business income tax measures which involve ‘differential’ tax treatment from the ‘norm’, some which may be considered industry assistance such as tax write-offs for horticulture plants, and tax deductions for horse breeding stock.

### Activities targeted

Budgetary assistance is often designed to encourage particular activities (such as R&D or exports) or to support particular firms, industries or sectors. To provide an indication of the distribution of assistance among activities and to facilitate more detailed assessments of changes in the composition and nature of assistance, the Commission categorises its estimates of Australian Government budgetary assistance into:

* *R&D* measures, including that undertaken by CSIRO, Cooperative Research Centres and rural R&D corporations, as well as R&D taxation concessions;
* *Export* measures, including through Export Market Development Grants, import duty drawback, TRADEX and Austrade;
* *Investment* measures, including development allowances and several former investment attraction packages;
* *Industry-specific* measures, including the Automotive Transformation Scheme, the Clothing and Household Textile Building Innovative Capability Program, film industry measures and the Offshore Banking Unit Taxation Concession;
* *Sector-wide* measures, such as ‘exceptional circumstances’ drought relief payments and the tax concessions under the Farm Management Deposits Scheme, in the case of the primary sector;
* *Small business* programs, such as the Small Business and General Business Tax Break, the small business capital gains tax concessions, the 25 per cent Entrepreneurs’ Tax Offset and the Small Business Advisory Services Program;
* *Regional* assistance, including the Tasmanian Freight Equalisation Scheme, Bass Straight Passenger Vehicle Equalisation Scheme and various structural adjustment programs with a regional focus; and
* a residual ‘*Other*’ category, including the Textiles, Leather, Clothing and Footwear Corporate Wear Program, the Pooled Development Funds initiative, and the Enterprise Connect Innovation Centres Initiative.

The majority of budgetary assistance in 2012‑13 was directed to R&D (38 per cent); small business (22 per cent); and specific industries (21 per cent) (figure 4.3).

Figure 4.3 Budgetary assistance by category, 2007‑08 to 2012‑13

$ billion (nominal)

|  |
| --- |
| **a** |

a Includes Investment measures.

*Source*: Commission estimates.

This compares with a distribution of budgetary assistance comprised of R&D (24 per cent); specific industries (24 per cent); and small business (21 per cent) in 2007‑08. Over the six year period 2007‑08 to 2012‑13, changes in the shares of budgetary assistance to different activities are largely accounted for by significant increases in concessions under the Small Business and General Business Tax Break up to 2010‑11 followed by sharp decreases in 2011‑12 and 2012‑13, an overall reduction in drought related programs over the period, and a significant increase in transitional assistance in relation to the carbon pricing mechanism in 2011‑12 and their subsequent winding down in 2012‑13.

A number of budgetary measures included in the estimates relate to carbon emissions reduction, renewable energy and energy goals. These measures support a range of activities that span R&D, industry-specific, sector-specific and other measures. The measures amounted to around $326 million (4 per cent) of estimated budgetary assistance in 2012‑13, around $1.4 billion lower than in 2011‑12.

Some caution is required when interpreting these shares. While programs have been allocated to one category only (based on the nature of the support and main activities assessed as receiving that support), some have characteristics that relate to more than one category. For example, the R&D category includes rural R&D, which could also be considered sector specific.

### Sectoral and industry distribution

The Commission records the incidence of budgetary assistance by the initial benefiting industry, that is, the industry to which the assistance first accrues. Estimates are presented for 34 industry groupings, while four ‘unallocated’ categories are used for programs for which it has not been possible to confidently identify the initial benefiting industry or sector.

In 2012‑13, most budgetary assistance was afforded through outlays for the primary production, mining and manufacturing sectors while for services, the majority of budgetary assistance was provided through tax concessions.

In 2012‑13, the services sector is estimated to have received around 43 per cent of estimated budgetary assistance — up from around 38 per cent in 2007‑08 (figure 4.4). The manufacturing and primary production sectors, which together contribute about 9 per cent of value added, received around one third of total estimated budgetary assistance in 2012‑13, while the mining sector received relatively little measured budgetary assistance. While it has been practicable to assign an initial benefiting industry to over 80 per cent of budgetary assistance, the proportion not assigned to a benefiting industry has increased since 2007‑08.

Figure 4.4 Budgetary assistance and value added shares by   
industry sector, 2007‑08 and 2012‑13

|  |  |
| --- | --- |
| *2007-08* | *2012-13* |
| Budgetary assistance | |
|  |  |
| Industry value added (current prices) | |
|  |  |

*Sources*: ABS (2013); Commission estimates.

The three industry groups receiving the largest levels of budgetary assistance accounted for around a quarter of estimated budgetary assistance to industry in 2012‑13 (table 4.4).

* Budgetary assistance was highest for the *Property, professional and administrative services* industry ($677.5 million) consisting mainly of the R&D tax concession programs and Small Business Capital Gains Tax concession measures;
* *Financial and insurance services* was the next highest recipient ($640.3 million), including the R&D tax concession programs, Offshore Banking Unit Taxation Concession and the Concessional Rate of Withholding Tax concession.[[2]](#footnote-3)
* *Mining* accounted for $546.5 million, mainly in the form of R&D tax concession programs and assistance through CSIRO.

Although *Motor vehicles and parts* was the fourth largest industry group accounting for $461.8 million in budgetary assistance in 2012‑13, it has the highest effective rate of assistance of all industry groups (see below).

Budgetary assistance not assigned to an industry sector is reported in the *Unallocated other* category. That assistance accounted for around 15 per cent of total estimated budgetary assistance in 2012‑13. The small business capital gains tax concessions ($695 million), for which Industry allocation data is currently not available through taxation statistics, accounts for over half of the category. Other budgetary assistance not classified to industry included the Small Business and General Business Tax Break, Austrade, and the TCF Corporate Wear Program.

Table 4.4 Budgetary assistance by industry grouping, 2012‑13

$ million (nominal)

|  |  |  |  |
| --- | --- | --- | --- |
|  | Outlays | Tax concessions | Total budgetary assistance |
| **Primary production** | **762.7** | **370.0** | **1132.7** |
| Horticulture and fruit growing | 82.9 | 43.0 | 125.9 |
| Sheep, beef cattle and grain farming | 216.3 | 237.6 | 454.0 |
| Other crop growing | 41.7 | 19.2 | 60.9 |
| Dairy cattle farming | 26.8 | 23.1 | 49.9 |
| Other livestock farming | 22.1 | 15.2 | 37.3 |
| Aquaculture and fishinga | 62.4 | 9.2 | 71.6 |
| Forestry and logging | 35.2 | 8.6 | 43.8 |
| Primary production support services | 6.2 | 9.3 | 15.5 |
| Unallocated primary productionb | 269.1 | 4.8 | 274.0 |
| **Mining** | **401.9** | **144.5** | **546.5** |
| **Manufacturing** | **1333.3** | **275.9** | **1609.2** |
| Food, beverages and tobacco | 65.3 | 37.0 | 102.3 |
| Textile, leather, clothing and footwear | 54.9 | 7.3 | 62.2 |
| Wood and paper products | 21.3 | 8.4 | 29.7 |
| Printing and recorded media | 13.2 | 7.5 | 20.7 |
| Petroleum, coal, chemical and rubber products | 297.1 | 25.1 | 322.2 |
| Non-metallic mineral products | 30.0 | 4.0 | 34.0 |
| Metal and fabricated metal products | 76.8 | 34.6 | 111.4 |
| Motor vehicle and parts | 426.6 | 35.2 | 461.8 |
| Other transport equipment | 26.2 | 4.0 | 30.2 |
| Machinery and equipment manufacturing | 193.3 | 34.6 | 227.9 |
| Furniture and other manufacturing | 35.6 | 4.3 | 39.9 |
| Unallocated manufacturingb | 93.1 | 73.9 | 167.0 |
| **Services** | **1597.2** | **1729.5** | **3326.7** |
| Electricity, gas, water and waste services | 116.2 | 13.4 | 129.6 |
| Construction | 67.1 | 101.4 | 168.5 |
| Wholesale trade | 122.2 | 77.5 | 199.7 |
| Retail trade | 57.5 | 69.3 | 126.8 |
| Accommodation and food services | 9.1 | 60.2 | 69.3 |
| Transport, postal and warehousing | 56.7 | 39.4 | 96.1 |
| Information, media and telecommunications | 171.6 | 186.1 | 357.7 |
| Financial and insurance services | 134.1 | 506.1 | 640.3 |
| Property, professional and admin. services | 384.4 | 293.0 | 677.5 |
| Public administration and safety | 13.5 | 4.0 | 17.5 |
| Education and training | 27.1 | 11.8 | 38.9 |
| Health care and social assistance | 102.1 | 56.1 | 158.1 |
| Arts and recreation services | 125.9 | 281.5 | 407.4 |
| Other services | 38.9 | 29.7 | 68.6 |
| Unallocated servicesb | 170.8 | 0.0 | 170.8 |
| **Unallocated other**b | **280.0** | **875.8** | **1155.8** |
| **Total** | **4375.1** | **3395.8** | **7771.0** |

– Nil. a *Aquaculture and fishing* includes *Hunting & trapping*. b Unallocated includes programs for which details of the initial benefiting industry cannot be readily identified.

*Source*: Commission estimates.

## 4.3 Combined assistance

This section presents the results for combined tariff, budgetary assistance and agricultural pricing assistance. Combined assistance is reported in terms of the net value of assistance and its components, and the effective rate of assistance (box 4.3).

|  |
| --- |
| Box 4.3 Summary measures of combined assistance |
| In reporting its estimates of net combined assistance, the Commission adopts two summary measures.   * First, it reports total net assistance (also referred to in assistance methodologies as the net subsidy equivalent (NSE)), which is the dollar value of net assistance to the land, labour and capital resources used in a particular industry or activity. It indicates the level of transfers of income to benefiting producers from consumers, taxpayers and other firms. NSE estimates are reported for the four sectors and 34 industry groupings. * The second summary measure is the effective rate of assistance (ERA). It measures the NSE of combined assistance to a particular industry in proportion to that industry’s unassisted net output (value added). It provides an indication of the extent to which assistance to an industry enables it to attract and hold economic resources relative to other sectors. That is, where there is some competition between industries for resources, those industries with relatively high effective rates of assistance are more likely, as a result of their assistance, to be able to attract resources away from those with lower rates of effective assistance. ERA estimates are reported for industries in the primary production, mining and manufacturing sectors. Effective rates of assistance are not published for the services sector. |
|  |
|  |

### Aggregate assistance

Total estimated gross combined assistance was $15.6 billion in 2012‑13, a decline of around $2.5 billion from 2011‑12 in nominal terms (table 4.5). This represents a decline of around 14 per cent in nominal terms with a similar proportional reduction estimated to have occurred in real terms.

Table 4.5 Combined assistance, 2007‑08 to 2012‑13

$ million (nominal)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
| Tariff output assistance | 8891.2 | 8936.3 | 8396.0 | 8080.5 | 8115.0 | 7843.1 |
| Budgetary outlays | 4447.6 | 3733.0 | 3868.3 | 3630.3 | 5212.9 | 4375.1 |
| Tax concessions | 3987.9 | 4607.1 | 5921.0 | 6405.9 | 4780.2 | 3395.8 |
| Agricultural pricing assistance | 120.1 | 0.2 | ‑ | ‑ | ‑ | ‑ |
| **Gross combined assistance** | **17446.7** | **17276.5** | **18185.2** | **18116.7** | **18108.1** | **15614.0** |
| Tariff input assistance | -6444.0 | -6717.0 | -6665.4 | -6660.4 | -7049.0 | -7112.4 |
| **Net combined assistance**a | **11002.7** | **10559.5** | **11519.8** | **11456.2** | **11059.1** | **8501.6** |

– Nil. a Further information on the estimation and interpretation of net combined assistance is provided in the methodological annex to *Trade & Assistance Review 2011‑12*. Estimates prior to 2011‑12 differ from estimates published in earlier *Reviews*. Differences reflect the effects of re-benchmarking the estimates of tariff assistance and changes in source information.

*Source*: Commission estimates.

After considering the negative effects of tariff assistance on industry inputs, total estimated net combined assistance amounted to around $8.5 billion in 2012‑13, a decrease of around $2.5 billion (in nominal terms) from 2011‑12. Net tariff assistance and budgetary assistance declined by around $0.3 billion and $2.2 billion, respectively. Between the two years, the impost of tariffs on inputs remained relatively stable.

The year-to-year changes in combined assistance over the six year period 2007‑08 to 2012‑13, represent the net effect of changes in tariff assistance, budgetary outlays and tax concessions, as well as the reduction in support through agricultural pricing assistance. As noted above, the main influences on changes in tariff assistance are reductions in tariff rates and the scale of activities protected by tariffs, or bearing the cost of tariffs. Tariff output assistance has tended to decline while the tariff penalty on inputs has tended to increase. While the net effect of these changes is to reduce overall net tariff assistance, this estimate masks the distributional effects of assistance disparities between industries.

### Value of combined assistance by industry grouping

Table 4.6 summarises, at the industry level, tariff and budgetary assistance for 2012‑13. Reflecting the earlier discussion on individual elements, the manufacturing sector receives the highest level of net combined industry assistance

Table 4.6 Combined assistance by industry grouping, 2012‑13a

$ million (nominal)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Tariffs |  | Net tariff assistance | Budgetary |  | Net combined assistance |
| Output | Input penalty | Outlays | Tax concess. |
| **Primary production** | **241.9** | **-81.6** | **160.3** | **762.7** | **370.0** | **1293.0** |
| Horticulture and fruit growing | 177.1 | -11.2 | 165.9 | 82.9 | 43.0 | 291.8 |
| Sheep, cattle and grain farming | 0.2 | -16.1 | -15.9 | 216.3 | 237.6 | 438.0 |
| Other crop growing | 2.1 | -4.0 | -2.0 | 41.7 | 19.2 | 58.9 |
| Dairy cattle farming | – | -2.0 | -2.0 | 26.8 | 23.1 | 47.9 |
| Other livestock farming | – | -4.1 | -4.1 | 22.1 | 15.2 | 33.2 |
| Aquaculture and fishing | 1.0 | -15.4 | -14.4 | 62.4 | 9.2 | 57.1 |
| Forestry and logging | 61.7 | -12.2 | 49.5 | 35.2 | 8.6 | 93.2 |
| Primary production services | – | -16.6 | -16.6 | 6.2 | 9.3 | -1.1 |
| Unallocated primary production | – | – | – | 269.1 | 4.8 | 274.0 |
| **Mining** | **1.0** | **-216.8** | **-215.8** | **401.9** | **144.5** | **330.7** |
| **Manufacturing** | **7600.1** | **-2078.4** | **5521.7** | **1333.3** | **275.9** | **7130.9** |
| Food, beverages and tobacco | 1739.8 | -494.7 | 1245.1 | 65.3 | 37.0 | 1347.3 |
| Textile, clothing and footwear | 301.1 | -61.5 | 239.6 | 54.9 | 7.3 | 301.8 |
| Wood and paper products | 640.3 | -129.7 | 510.6 | 21.3 | 8.4 | 540.3 |
| Printing and recorded media | 220.2 | -35.7 | 184.5 | 13.2 | 7.5 | 205.2 |
| Petroleum, coal and chemicals | 1024.1 | -299.1 | 725.0 | 297.1 | 25.1 | 1047.2 |
| Non-metallic mineral products | 247.6 | -42.5 | 205.1 | 30.0 | 4.0 | 239.2 |
| Metal and fabricated products | 1675.3 | -397.8 | 1277.5 | 76.8 | 34.6 | 1388.8 |
| Motor vehicle and parts | 836.3 | -308.0 | 528.3 | 426.6 | 35.2 | 990.1 |
| Other transport equipment | 77.3 | -69.0 | 8.4 | 26.2 | 4.0 | 38.5 |
| Machinery and equipment | 628.8 | -189.5 | 439.3 | 193.3 | 34.6 | 667.2 |
| Furniture and other products | 209.5 | -51.0 | 158.4 | 35.6 | 4.3 | 198.3 |
| Unallocated manufacturing | – | – | – | 93.1 | 73.9 | 167.0 |
| **Services** | **0.0** | **-4735.5** | **-4735.5** | **1597.2** | **1729.5** | **-1408.8** |
| Electricity, gas, water and waste | – | -97.1 | -97.1 | 116.2 | 13.4 | 32.4 |
| Construction | – | -1698.1 | -1698.1 | 67.1 | 101.4 | -1529.6 |
| Wholesale trade | – | -259.8 | -259.8 | 122.2 | 77.5 | -60.0 |
| Retail trade | – | -188.0 | -188.0 | 57.5 | 69.3 | -61.2 |
| Accommodation & food services | – | -523.6 | -523.6 | 9.1 | 60.2 | -454.3 |
| Transport, postal & warehousing | – | -211.8 | -211.8 | 56.7 | 39.4 | -115.7 |
| Information & telecommunications | – | -145.7 | -145.7 | 171.6 | 186.1 | 212.0 |
| Financial and insurance services | – | -9.7 | -9.7 | 134.1 | 506.1 | 630.5 |
| Property, professional & admin. | – | -620.9 | -620.9 | 384.4 | 293.0 | 56.6 |
| Public administration and safety | – | -217.8 | -217.8 | 13.5 | 4.0 | -200.4 |
| Education and training | – | -120.3 | -120.3 | 27.1 | 11.8 | -81.5 |
| Health care and social assistance | – | -274.9 | -274.9 | 102.1 | 56.1 | -116.7 |
| Arts and recreation services | – | -79.1 | -79.1 | 125.9 | 281.5 | 328.4 |
| Other services | – | -288.7 | -288.7 | 38.9 | 29.7 | -220.1 |
| Unallocated services | – | – | – | 170.8 | 0.0 | 170.8 |
| **Unallocated other** | – | – | – | 280.0 | 875.8 | 1155.8 |
| **Total** | **7843.1** | **-7112.4** | **730.7** | **4375.1** | **3395.8** | **8501.6** |

– Nil. a Read in conjunction with notes to tables 2.2 and 2.4.

*Source*: Commission estimates.

because of the tariff assistance on its outputs. Although the services sector receives the most budgetary assistance (around $3.3 billion in identifiable support), such assistance is outweighed by the estimated input tariff penalty ($4.7 billion). The primary production sector received the majority of its assistance in the form of budgetary outlays, although some tariff protection continues to be afforded to a range of horticultural, crop and forestry products. A time series of net combined assistance (table 4.6 column 7) by industry grouping for the period 2007‑08 to 2012‑13 is presented in appendix A.

### Effective rates of (combined) assistance

#### Estimated effective rates of combined assistance by industry grouping

For the manufacturing sector, the estimated effective rate of assistance — that is, the value of assistance as a proportion of (unassisted) value added — was 4.2 per cent in 2012‑13, and was in line with the estimate for previous years (table 4.7). The effective rate for the primary sector in 2012‑13 was 2.6 per cent. (It had reached 6.4 per cent in 2007‑08, reflecting assistance afforded the industry for drought relief and the Dairy Structural Adjustment Program). The estimated effective rate of assistance from tariff and budgetary assistance for mining is negligible.

##### Textiles, leather, clothing and footwear and Motor vehicles and parts

The *Textiles, leather, clothing and footwear* and *Motor vehicle and parts* industry groupings continue to have higher effective rates of combined assistance than other manufacturing activities. While remaining relatively high, the estimated effective rates of assistance to both industry groups have declined significantly over recent decades following substantial reductions in tariff rates and the removal of import quotas. Effective rates of assistance for these industries have also declined significantly since 2008‑09, following the legislated tariff cuts in January 2010 and net reductions in budgetary assistance following the closure of the Automotive Competitiveness and Investment Scheme and introduction of new automotive assistance arrangements.

Table 4.7 Effective rate of combined assistance by industry grouping, 2007‑08 to 2012‑13a

per cent

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
| **Primary production**b | **6.4** | **4.7** | **4.3** | **3.2** | **3.3** | **2.6** |
| Horticulture and fruit growing | 4.3 | 4.4 | 3.3 | 3.1 | 2.9 | 2.7 |
| Sheep, beef cattle and grain | 6.3 | 6.3 | 5.7 | 3.5 | 3.0 | 2.3 |
| Other crop growing | 6.9 | 2.0 | 1.9 | 1.0 | 1.6 | 1.5 |
| Dairy cattle farming | 13.2 | 4.5 | 5.9 | 3.5 | 2.7 | 2.1 |
| Other livestock farming | 1.7 | 1.2 | 1.1 | 0.9 | 1.4 | 0.8 |
| Aquaculture and fishing | 6.8 | 3.5 | 4.1 | 3.7 | 2.9 | 2.9 |
| Forestry and logging | 6.9 | -1.3 | 4.5 | 5.3 | 6.6 | 4.9 |
| Primary production services | 0.2 | 0.3 | 0.1 | 0.0 | 0.0 | 0.0 |
| **Mining** | **0.2** | **0.2** | **0.2** | **0.2** | **0.4** | **0.2** |
| **Manufacturing**b | **4.5** | **4.6** | **4.5** | **4.2** | **4.3** | **4.2** |
| Food, beverages and tobacco | 3.3 | 3.4 | 3.4 | 3.4 | 3.4 | 3.4 |
| Textile, clothing and footwear | 13.7 | 13.8 | 12.2 | 9.8 | 8.0 | 8.1 |
| Wood and paper products | 5.2 | 5.2 | 4.9 | 4.9 | 4.8 | 4.9 |
| Printing and recorded media | 3.6 | 3.5 | 3.5 | 3.5 | 3.6 | 3.7 |
| Petroleum, coal & chemicals | 2.8 | 3.1 | 3.1 | 3.1 | 3.1 | 3.2 |
| Non-metallic mineral products | 3.1 | 2.9 | 3.0 | 2.9 | 3.0 | 3.1 |
| Metal and fabricated products | 4.3 | 4.5 | 4.5 | 4.4 | 4.9 | 4.5 |
| Motor vehicle and parts | 13.2 | 13.1 | 12.8 | 9.5 | 10.3 | 8.9 |
| Other transport equipment | 0.7 | 0.9 | 0.9 | 0.8 | 0.8 | 0.8 |
| Machinery and equipment | 3.2 | 3.2 | 3.3 | 3.1 | 3.1 | 3.3 |
| Furniture and other products | 5.4 | 4.6 | 4.7 | 4.7 | 4.9 | 5.1 |

a ‘Combined assistance’ comprises budgetary, tariff and agricultural pricing assistance. b Sectoral estimates include assistance to the sector that has not been allocated to specific industry groupings.

*Source*: Commission estimates.

##### Dairy cattle farming and Sheep, beef cattle and grain farming

The estimated effective rate of assistance for *Dairy cattle farming* declined markedly from 2007‑08 to 2012‑13 — from 13.2 per cent to 2.1 per cent. This reflects a decline in Exceptional Circumstances drought support and the cessation of payments under the Dairy Structural Adjustment Program in April 2008. Prior to the dairy industry’s deregulation in July 2000, the effective rate of combined assistance was estimated to exceed 30 per cent.

Reflecting lower claims for Exceptional Circumstances drought support, the effective rate of assistance for the *Sheep, beef cattle and grain farming* group declined from 6.3 per cent in 2008‑09 to 2.3 per cent in 2012‑13. Declines were also estimated for some other agricultural industry groupings because of lower claims for drought support.

##### Forestry and logging

The estimated effective rate of assistance to *Forestry and logging* has changed markedly over recent years. The change from 6.9 per cent in 2007‑08 to a negative 1.3 per cent for 2008‑09 and then back to 4.5 per cent in 2009‑10, as indicated above, reflects the impact of changes in the direction of accelerated write-offs on forestry-managed investments from positive assistance in 2007‑08 (the acceleration stage) to increased taxation in 2008‑09 (the pay-back stage). The Forestry Managed Investment Scheme was terminated on 30 June 2008.

Effective rates of assistance to Forestry and logging have stabilised in more recent years at around 5 per cent reflecting new structural adjustment packages for the Tasmanian forestry industry.

#### Effective rates of assistance at the firm level

While present effective rates are historically low, the effective rate of assistance for an individual company or project can be quite significant. For example, a number of industry grant programs to both goods producing and service activities provide subsidy equivalents for supported projects well above industry averages. This can be quite distortionary, within an industry as well as at the economy-wide level.

## 4.4 Effective rates of assistance since 1970

The Commission has estimated assistance to the manufacturing and agricultural sectors since the early 1970s. The estimates have been derived in several ‘series’, each spanning a number of consecutive years, with each series retaining a common methodology, coverage of measures and data sources across those years. While methodologies and data sources have changed between series, taken together, the series provide a broad indication of directions and trends in assistance at the sectoral level.

Figure 4.5 presents effective rate of assistance estimates from the different series from 1970‑71 to the present. Breaks in the series are represented by gaps in the chart, and overlaps are included to show the effects of the methodological and data changes made in moving between series. In figure 4.5, estimates of the effective rate of assistance for the previous 2004‑05 benchmarked series are reported for the years 2003‑04 to 2008‑09. Estimates for the new 2008‑09 benchmark series are reported for the years 2006‑07 to 2012‑13. The overlapping estimates are also shown in expanded form in an insert in the figure.

Figure 4.5 Effective rates of assistance to manufacturing and agriculture,a 1970‑71 to 2012‑13

per cent

|  |
| --- |
| Figure 4.5. Effective rates of assistance to manufacturing and agriculture 1970-71 to 2012-13. This figure presents effective rates of assistance to manufacturing and agriculture since 1970-71. This figure is described in the surrounding text. |

a Refers to selected agriculture activities up to and including the year 2000‑01. From 2001‑02, estimates refer to division A of the Australian and New Zealand Standard Industrial Classification which covers agriculture, forestry, fishing and hunting activities.

*Source*: Commission estimates.

### Manufacturing

The estimates indicate a marked decline in measured assistance to the manufacturing sector over the last 35 years. The estimated effective rate of assistance for manufacturing as a whole (as calculated in the first series) was around 35 per cent in 1970‑71, whereas since 2000, the rate has been around 5 per cent. Major influences on this decline over the past four decades have been the 25 per cent across-the-board tariff cut of 1973, the abolition of (subsequent) tariff quotas and the broad programs of tariff reductions that commenced in the late 1980s. Recent declines have been associated mainly with reductions in tariff assistance to the textile, clothing and footwear, and passenger motor vehicle industries. A 5 per cent tariff, levied on over 50 per cent of manufactured items of merchandise trade, continues to provide some assistance to many manufacturing activities, and an associated impost on consumers and industry and costs to government administration.

### Agriculture (primary production)

For agriculture, the estimated effective rate of assistance (as calculated in the first series) was over 25 per cent in 1970‑71 and, by 1974‑75, it had fallen to about 8 per cent. The subsequent volatility in the agricultural estimates, particularly through the 1970s and 1980s, reflects variation in differences between domestic support prices and world prices (used for assistance benchmarks) as well as the impact of drought and other factors on output.

The rise in the effective rate of assistance to agriculture in 2006‑07 and 2007‑08 reflects significant increases in Exceptional Circumstances drought relief payments and interest rate subsidies at the height of the drought through much of Australia, as well as the Dairy Industry Structural Adjustment package. Such assistance has since declined significantly and the estimated assistance to the sector overall has declined to around 2.6 per cent.

1. Treasury estimate (in the TES) the value of exempting certain emissions activities from the carbon pricing mechanism to be around $3.7 billion in 2012‑13. These principally relate to agriculture and deforestation. These ‘concessions’ have not been incorporated into the assistance estimates, nor has the ‘tax’ effect of the carbon pricing mechanism on other activities. Treasury note that the value of exemptions will fall to zero from 1 July 2014, consistent with the revised carbon pricing arrangement applying from that time. [↑](#footnote-ref-2)
2. Taxation concessions on retirement savings associated with Australia’s compulsory superannuation arrangements, while providing incidental benefits to the finance sector as the provider of financial services, are not included in the Commission’s assistance estimates. [↑](#footnote-ref-3)