
Introduction

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

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

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

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

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

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

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

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

In this annex, the Commission:

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

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

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