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## 2 Allocation methodology

### 2.1 The initial benefiting industry concept

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

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

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

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

### 2.2 Allocating assistance to industry groupings

Information to allocate funding for all measures was sought from budget papers, legislation, ministerial statements and various departmental annual reports and

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websites. The Commission also consulted organisations responsible for particular budgetary assistance measures.

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

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

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

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