

---

# Introduction

Assistance to industry is defined in the *Productivity Commission Act 1998* 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.

Industry assistance measures include tariffs, quotas, anti-dumping duties and regulatory restrictions on imported goods and services, as well as tax concessions and subsidies for domestic producers. Local producers may also benefit from services provided by government which are not priced at their full cost.

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 Commonwealth 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 which are generally available to all firms, such as changes in road funding. The Commission's approach to measuring budgetary assistance is explained in detail in annex A of the *Trade & Assistance Review 2001-02* (PC 2002a), which accompanies this document.

In the past, the Commission has provided estimates of the incidence of budgetary assistance using a simple, four sector classification of the economy. Budgetary assistance measures were allocated under the headings 'primary production', 'manufacturing', 'mining' and 'services'.

To provide a better basis for determining the incidence of assistance, since 2000, the Commission has augmented this approach by also providing a disaggregated breakdown of the incidence of budgetary assistance, using a 27 industry grouping classification system. Under this system, primary production and mining remained as single categories, but the manufacturing and service sectors were disaggregated into various sub-groupings.

---

To add further detail to its estimates, and to facilitate the calculation of effective rates of assistance to industries in the primary production and manufacturing industries on a more comparable basis, this year the Commission has estimated assistance to primary production using a 10 industry grouping classification. Thus the Commission now estimates budgetary assistance according to a 36 industry grouping classification (plus four 'unallocated' groupings).

In disaggregating assistance to primary production, the Commission has used detailed information to assist in the allocation process and, where necessary, sought advice from government agencies responsible for administering the relevant programs.

In this annex to *Trade & Assistance Review 2001-02*, the Commission:

- explains the new classification system (chapter 1);
- discusses the way budgetary assistance has allocated using the new system (chapter 2);
- provides a program-by-program breakdown of allocations to the primary production industries (chapter 3); and
- reports results using this system for the years 1999-00 to 2002-03 (chapter 4).

The results are also reported, and discussed, in chapter 3 of this year's *Review* (PC 2000b).

Research for this project has been undertaken by Richard Adams, with assistance from Duc Hguyen-hong and Joe Owen. The Commission would welcome any comments on the appropriateness of any particular allocations of budgetary assistance that it has made