



Australian Government
Productivity Commission

Trade & Assistance Review
2019-20

Methodological
Annex

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Publications enquiries

Media, Publications and Web, phone: (03) 9653 2244 or email: mpw@pc.gov.au

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).

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1 About this annex

This annex:

- provides a brief overview of the Commission’s assistance measurement framework (chapter 2)
- lists new programs added to the estimates for 2019-20 (chapter 3)
- lists programs that lapsed in 2019-20 (chapter 4).

This annex is the latest in a series of papers providing information and updates on the methodology used by the Commission to produce assistance estimates. Other relevant annexes, published since 2000, are reported on the Commission’s website. (A full list of the Commission’s *Trade and Assistance Reviews* can be found at <http://www.pc.gov.au/research/ongoing/trade-assistance>.)

The annex is important because the methods, scope and data sources for estimates of assistance have changed over time, and need to be periodically documented. For example, initial estimates of assistance by the predecessor of the Productivity Commission focused on import protection for the manufacturing sector and domestic marketing arrangements for the agricultural sector. Assistance estimates then expanded, and today they encompass budgetary outlays and tax concessions. The Commission’s estimates have been derived in several ‘series’, each spanning a number of consecutive years. For years within a series, the data sources and methodologies used to produce the assistance estimates are consistent.

The estimates published in the *Trade and Assistance Review 2019-20* are re-benchmarked to the ‘2016-17 series’ to reflect the underlying Australian Bureau of Statistics (ABS) input-output data used to benchmark the estimates. The Methodological Annex in the *Trade and Assistance Review 2018-19* explains the re-benchmarking process undertaken to create the 2016-17 series.

2 Overview of the Commission's assistance measurement framework

Assistance measures covered

Section 10(3) of the *Productivity Commission Act 1998* (Cwlth) 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, measures that assist industry include:

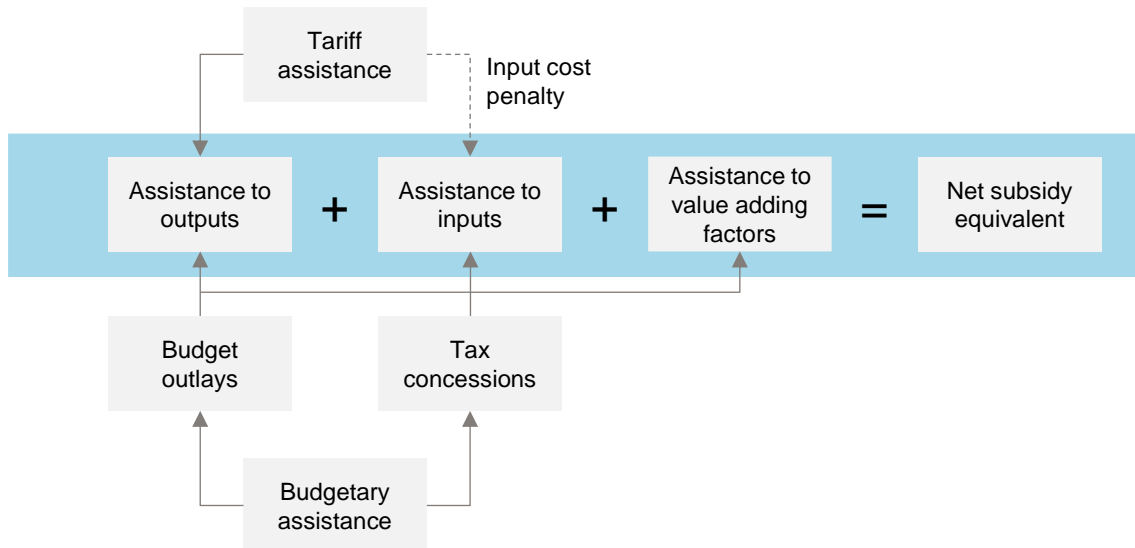
- tariffs, quotas, anti-dumping duties and regulatory restrictions on imported goods and services, such as local design rules and quarantine requirements
- grants and subsidies for domestic producers
- tax expenditures and offsets for domestic producers
- 'in-kind' assistance provided by publicly-funded intermediaries, such as certain research undertaken by the Commonwealth Scientific and Industrial Research Organisation (CSIRO)
- regulatory restrictions on domestic competition, such as those provided by some statutory marketing arrangements and legislation that reserves markets for particular groups (for example, pharmacies)
- services provided by government agencies at concessional prices
- preferences for domestic producers under government procurement policies.

It is not practicable to cover all forms of government support to industry in the estimates provided in the *Trade and Assistance Review* (box A.1 in the main report provides examples of some of the types of assistance that are not included in the estimates). Rather, the Commission's estimates focus on the main forms of assistance for particular businesses, activities or industries that can be quantified on an annual basis given the practical constraints of measurement and data availability.

The estimates cover assistance provided through tariffs and budgetary assistance (which includes grants, subsidies and tax concessions) provided by the Australian Government (figure 2.1). Assistance is categorised by the form in which it is delivered (tariffs, budgetary outlays or tax concessions) and its direct effect (assistance to inputs, outputs or to

value-adding factors). The Commission employs several simplifying assumptions when producing assistance estimates (box 2.1).

Figure 2.1 **Budgetary and tariff assistance in *Trade and Assistance Review* measures of assistance^a**



^a Input tariff assistance is negative. It represents the increased cost of inputs as a result of tariffs.

Box 2.1 Assistance framework: key simplifying assumptions

The Commission uses a partial equilibrium and static analytical framework to estimate assistance. The simplifying assumptions underlying 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 (that is, 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 in the absence of assistance represent their opportunity cost to the community
- 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 Industry Commission’s Information Paper on *Assistance to Agricultural and Manufacturing Industries* (IC 1995).

Data sources

Estimates of tariff assistance draw on Australian Customs tariff schedules 3 and 4, and ABS data on foreign trade flows, the Australian national accounts and input-output ratios.

Annual information about budgetary assistance programs comes from:

- the Treasury's *Tax Benchmarks and Variations Statement*
- departmental annual reports
- media releases and program documentation
- information provided by relevant government departments on newly implemented assistance programs.

Industry groupings

The Commission's estimates of assistance have expanded in scope. The initial focus was on assistance within the traded-goods sectors — particularly manufacturing and agriculture — where levels of assistance were high. Over time, trade protection measures assisting these sectors have declined, while budgetary assistance to both the goods and services producing sectors has increased. Further, the services sector has increased in economic importance and now accounts for more than 80 per cent of value added in Australia. The Commission has included estimates of assistance to the services sector since the 2001-02 *Review*, and has integrated these, as far as practicable, with estimates of assistance for other sectors.

The *Trade and Assistance Review 2019-20* presents combined assistance estimates for 38 'industry groupings', of which:

- 9 make up the primary production sector
- 12 make up the manufacturing sector
- 15 make up the services sector
- 1 makes up the mining sector.

There is also an 'unallocated other' sector, as well as 'unallocated' groupings within each sector (other than mining). The industry groupings are based on the classification of industries in the 2006 edition of the Australian and New Zealand Standard Industrial Classification (ANZSIC) (table 2.1).

Table 2.1 **Industry groupings used for reporting assistance in the Trade and Assistance Review 2019-20**

Sector/Industry grouping	ANZSIC 2006 codes
Primary production	A
Horticulture and fruit growing	011, 012, 013
Sheep, beef cattle and grain farming	014
Other crop growing	015
Dairy cattle farming	016
Other livestock farming	017, 018, 019
Aquaculture and fishing	02, 04
Forestry and logging	03
Primary production support services	05
Unallocated primary production	–
Mining	B
Manufacturing	C
Food, beverages and tobacco	11, 12
Textile, leather, clothing and footwear	13
Wood and paper products	14, 15
Printing and recorded media	16
Petroleum, coal, chemical and rubber products	17, 18, 19
Non-metallic mineral products	20
Metal and fabricated metal products	21, 22
Motor vehicles and parts	231
Other transport equipment	239
Machinery and equipment manufacturing	24
Furniture and other manufacturing	25
Unallocated manufacturing	–
Services	D-S
Electricity, gas, water and waste services	D
Construction	E
Wholesale trade	F
Retail trade	G
Accommodation and food services	H
Transport, postal and warehousing	I
Information, media and telecommunications	J
Financial and insurance services	K
Property, professional and administration services	L, M, N
Public administration and safety	O
Education and training	P
Health care and social assistance	Q
Arts and recreation services	R
Other services	S
Unallocated services	–
Unallocated other	–

Source: Commission estimates based on ABS (*Australian and New Zealand Standard Industrial Classification (ANZSIC) 2006 (Revision 2.0)*, Cat. no. 1292.0).

How the Commission estimates assistance

The approach adopted by the Commission to estimate the value of assistance varies depending on 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 by the tariff on Australian producers' domestic sales; not by the dollar amount of tariff revenue collected on imports.
- Where goods protected by tariffs are used by other industries as inputs, the input cost penalty (that is, 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 government outlay is recorded as assistance. The annual estimates exclude the policy advice and general administration costs of government agencies that administer grants and other assistance programs.
 - Where governments fund services that indirectly assist an industry, the full funding (excluding any industry contributions) is deemed to be assistance. For the assistance provided to industry through the CSIRO, the Commission excludes appropriations for certain public research functions such as environmental R&D, some renewable energy R&D and general research towards expanding knowledge in various fields.
- Where governments provide tax concessions — such as 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.

Estimating tariff assistance

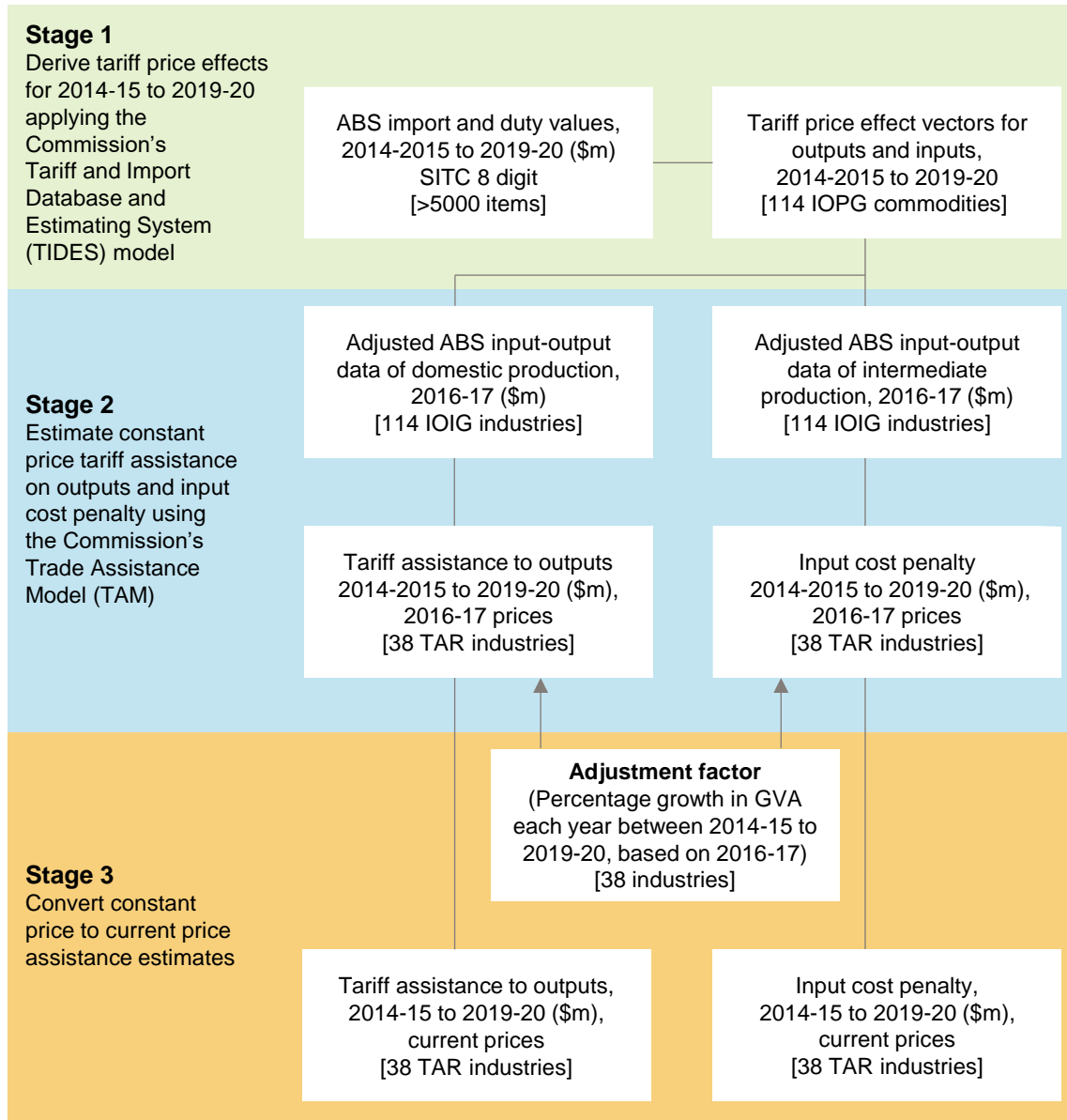
Tariff assistance refers to assistance provided in the form of import taxes. The estimates of tariff assistance are divided into two parts — output assistance and input penalties. Output assistance allows Australian producers to increase prices. Input penalties are the cost penalties that Australian producers experience when they face higher input costs because of tariffs.

The Commission uses its Tariff and Import Database and Estimating System (TIDES) model to provide estimates of the 'price impacts' of tariffs for both output and input goods. The model produces a two-column matrix of rows representing the duty rate on outputs and inputs of a tariff item, which are calculated by dividing the duty value by the landed domestic value of the tariff item.

In addition to the price impacts, the amount of assistance a tariff provides depends on the outputs produced domestically and on inputs used in the production of that output. Its estimation requires data on industry cost structures, which the Commission obtains through input-output (IO) tables provided by the ABS. The price impacts of tariffs on output (that is, the nominal rate of assistance on outputs) are combined with IO domestic production data

to estimate the dollar value of output tariff assistance. The price impacts of tariffs on inputs (that is, the nominal rate of assistance on inputs) are combined with IO intermediate usage data to derive estimates of input cost penalties (figure 2.2)¹.

Figure 2.2 **Estimating tariff assistance**



As the ABS does not publish annual IO data, tariff assistance is estimated for the benchmark year for which the IO data is available. A series of tariff assistance estimates are made for

¹ The procedure used by the Commission to estimate tariff assistance is described in more detail in earlier *Trade and Assistance Reviews* — in particular in the 2011-12, 2015-16 and 2017-18 *Reviews* — as well as in the *Trade and Assistance Review Estimates User Guide* (Salma, Wells and Forbes 2016).

years adjacent to the benchmark year for which tariff policies and imports are known, using the benchmark year IO data.

The output of this exercise is a time-series of tariff assistance estimates, expressed in the benchmark year's volumes and prices. These are re-indexed to nominal values in the year for which estimates are published, by using growth over this period in ABS industry gross value added and supporting data at current prices.

Using a benchmark year for IO data means that the size and the structure of the economy is held constant across the assistance estimates provided in a particular series, which in turn means it is possible to isolate and compare the tariff assistance that arises over time from changes in trade and tariff rates, as opposed to other factors.

To reflect changes in the structure of the economy, the Commission periodically re-benchmarks the estimates to align with the latest ABS IO data. The estimates presented in the 2019-20 *Review* have been 're-benchmarked' to align with the 2016-17 IO data — the most recent ABS IO data at the time when the *Review* was prepared.

Estimating budgetary assistance

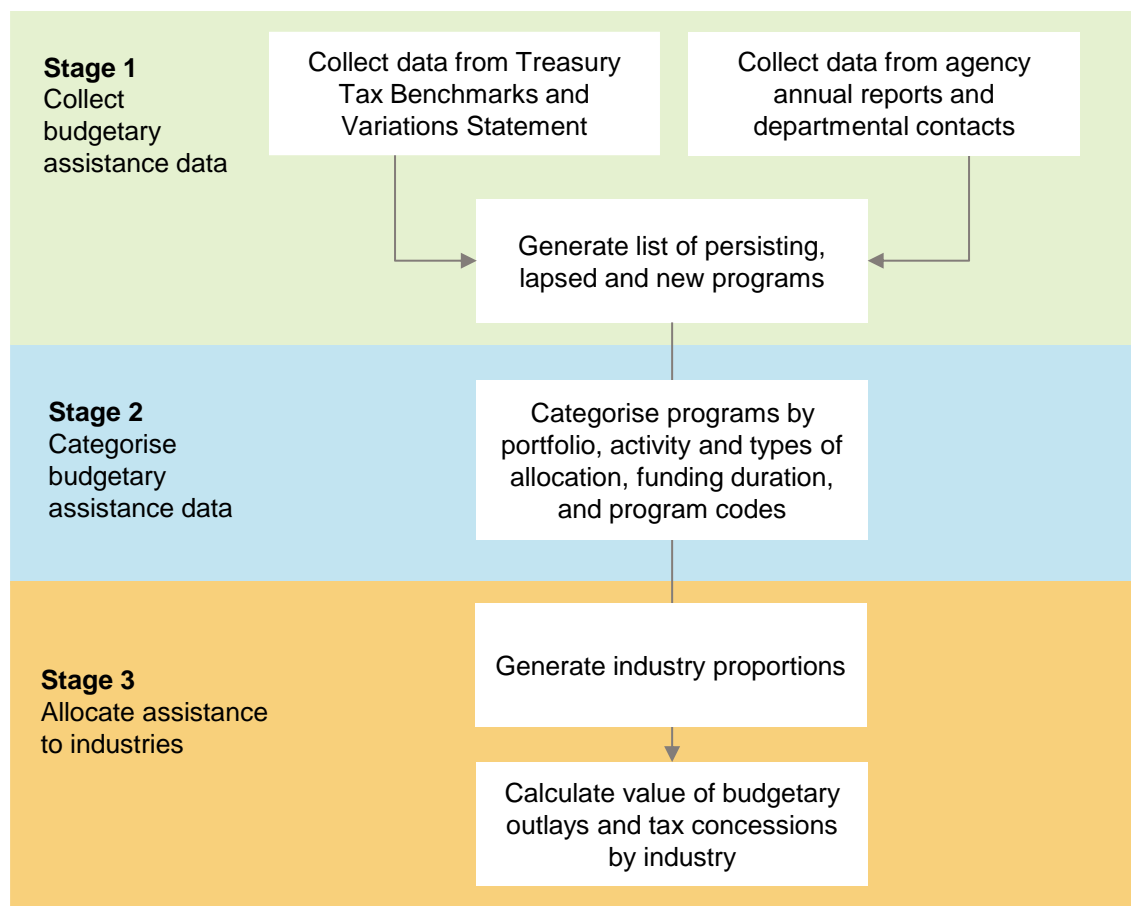
Estimating the value of budgetary assistance — and allocating such assistance across industries — requires a detailed itemisation and classification of programs that qualify as Australian Government budgetary assistance for the purpose of the *Review*. The Commission primarily uses the annual Treasury *Tax Benchmarks and Variations Statement*, agency annual reports and consultation with departmental staff to construct a database of programs that constitute budgetary assistance, which are then allocated to particular industry groupings on an 'initial benefiting industry' (IBI) basis (figure 2.3, box 2.2).

In allocating assistance to industry groupings, each measure is examined individually. Programs that assist only a single industry, such as the Automotive Transformation Scheme or the Grape and Wine R&D Corporation, are allocated directly to that industry (motor vehicle and parts, and horticulture and fruit growing respectively).

Many programs assist multiple industries. The Commission draws on a variety of sources to allocate the assistance provided by such programs across the benefiting industries.

Where the Commission can obtain sufficiently detailed data for a program, it uses this information to distribute the program's funding among the initial benefiting industries. For example, the Commission obtains claims data by ANZSIC industry for the Export Market Development Grants scheme, and these data are sufficiently detailed to determine the initial benefiting industries for the program. Similarly, the Department of Industry, Science, Energy and Resources (DISER) has published details of grant recipients for many of its administered programs.

Figure 2.3 **Estimating budgetary assistance by industry**



Where there are no data identifying the industries that initially benefit from a particular program, the assistance given under that program is 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 sectors based on available information. ‘Unallocated’ funding forms part of the Commission’s aggregate estimates of assistance.

The IBI approach does not attempt to identify all the industries that ultimately benefit from a program because of its ‘flow on’ effects. Care is therefore required when drawing inferences about the resource allocation effects of budgetary assistance given the static nature of the underlying model. This aspect of the model, coupled with the IBI approach of allocating assistance, means that only the initial effects of assistance are captured, while the responses of producers and consumers to the incentives created by the assistance are not.

Box 2.2 The ‘initial benefiting industry’ allocation method

The Commission allocates budgetary assistance to industries on an ‘initial benefiting industry’ (IBI) basis. This means that assistance is allocated to the industry of the businesses that benefit *initially* from a program or measure.

The IBI approach does not attempt to identify all the beneficiaries of assistance from flow-on effects. For example, budgetary assistance to the Australian film industry is allocated to the ‘arts and recreation services’ industry group. However, the benefits of this assistance could extend beyond this 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 and paper products industry, and so on.

When a measure initially benefits businesses in a single industry, the entire value of assistance is assigned to that industry. When a measure initially benefits businesses in multiple industries, the value of the assistance is apportioned across multiple industries as well.

Where assistance is delivered via an intermediate organisation — such as Austrade providing export promotion services or the CSIRO undertaking industry-benefiting research — the initial benefiting industry is the industry in which the businesses that use the services operate. For example, wheat research by the CSIRO would be allocated as assistance to the wheat growing industry (which is part of the ‘sheep, beef cattle and grain farming’ industry grouping).

Some programs where the initial beneficiaries are consumers (rather than businesses or intermediary bodies) are included in the Commission’s estimates of assistance. In such cases, the assistance is allocated to the industry providing the good or service to the consumer. As an example, in the past, assistance has been provided to consumers to convert cars to LPG, with the Commission classifying this assistance as accruing to the industry providing the conversion service.

Similarly, where assistance is provided to an intermediary service, such as transport or financial services, and that assistance lowers the cost of a good or service to a consumer, the initial benefiting industry is deemed to be that of the consumer, rather than the intermediary.

Where the initial beneficiary cannot be identified, the assistance is ‘unallocated’. This means that the assistance is included in the aggregate estimates, but not in industry totals.

Calculating combined assistance

Combined assistance is calculated as the sum of tariff and budgetary assistance provided to an industry. Combined assistance is expressed both as a dollar value and as a rate, with the latter allowing for a comparison of the amount of assistance provided to industries of different sizes. The main measure of combined assistance is the effective rate of assistance, where the total value of combined assistance provided to an industry is divided by that industry’s unassisted value added.

The key concepts involved in calculating rates of combined assistance — along with the procedure used by the Commission to calculate rates — are described in more detail in earlier *Trade and Assistance Review* publications.

3 Programs added to the assistance estimates in 2019-20

This chapter describes new Australian Government budgetary measures included in the assistance estimates for the *Trade and Assistance Review 2019-20*. Table 3.1 lists these programs and the value of assistance in 2019-20, and a short description of each program is provided below.

For the most part, information on expenditure on these programs in 2019-20 — along with information to inform industry allocations — has been sourced either directly through the relevant department or through departmental annual reports, supplemented by publicly available information from other sources where necessary.

Table 3.1 New programs included in the assistance estimates of the *Trade and Assistance Review 2019-20*

<i>Program</i>	<i>Form^a</i>	<i>Initial benefiting industry</i>	<i>Assistance value 2019-20 (\$m)</i>
Empowering Business to Go Digital	BO	Education & training	1.0
Mossman Mill Transition Program	BO	Food products	12.0
National Innovation Games	BO	Unallocated other	1.6
Space Infrastructure Fund	BO	Mining; Professional, scientific & technical services; Education & training	5.1
Manufacturing Modernisation Fund	BO	Fruit & tree nut growing; Food products; Beverage & tobacco products; Textile, leather, clothing & footwear; Wood products; Pulp & paper products; Printing & recorded media; Petroleum & coal products; Basic chemical & chemical products; Polymer & rubber products; Non-metallic mineral products; Primary metal & metal products; Fabricated metal products; Motor vehicle & parts; Other transport equipment; Machinery & equipment manufacturing; Furniture & other manufacturing; Construction; Professional, scientific & technical services; Health care & social assistance	11.1
Ferretti International Whyalla Feasibility Study	BO	Fabricated metal products	0.6

(continued next page)

Table 3.1 (continued)

<i>Program</i>	<i>Form^a</i>	<i>Initial benefiting industry</i>	<i>Assistance value 2019-20 (\$m)</i>
Australian Made Export Campaign	BO	Professional, scientific & technical services	1.0
Personal Protective Equipment Manufacturing Taskforce	BO	Textile, leather, clothing & footwear	3.7
Australian Manufacturing Fund - Personal Protective Equipment	BO	Textile, leather, clothing & footwear; Polymer & rubber products; Wholesale trade; Professional, scientific & technical services	1.5
Surgical Mask Material	BO	Textile, leather, clothing & footwear	0.2
Energy Efficient Communities Program	BO	Other services	0.2
Regional and Remote Communities Reliability Fund - Microgrids	BO	Professional, scientific & technical services	1.8
Supporting Reliable Energy Infrastructure Program	BO	Professional, scientific & technical services	1.3
International Freight Assistance Mechanism Grants	BO	Unallocated other	55.0
Regional Airlines Funding Assistance	BO	Transport, postal & warehousing	52.3
Regional Airline Network Support	BO	Transport, postal & warehousing	27.3
Domestic Aviation Network Support	BO	Transport, postal & warehousing	122.7
Waivers of Airservices Australia domestic aviation charges	BO	Transport, postal & warehousing	92.5
Reimbursement of aviation fuel excise	TE	Transport, postal & warehousing	15.8
Domestic aviation security charges rebate	BO	Transport, postal & warehousing	24.4
Location Incentive grant	BO	Arts & recreation services	30.4
Funding for Indigenous Arts Centres and Fairs	BO	Arts & recreation services	3.5
Regional Arts Fund	BO	Arts & recreation services	10.0
Assistance to zoos and aquariums	BO	Arts & recreation services	7.3
Total			482.4

^a BO = Budgetary outlay, TE = Tax expenditure

Sources: Australian Government department and agency reports (various years) and departmental personal communications.

Empowering Business to Go Digital

The Empowering Business to Go Digital program, which will run from 2019-20 to 2021-22, will support the establishment of a non-government organisation to improve small business digital capability and to address issues raised in the Small Business Digital Taskforce report (Australian Government 2021a). Funding for the program in 2019-20 was \$1.0 million, which has been allocated to the education and training industry grouping.

Mossman Mill Transition Program

The program provides an Australian Government grant of \$20 million to Far Northern Milling Pty Ltd (FNM) to subsidise the transition of the Mossman Mill from a traditional sugar mill to a mill that supplies feedstock to a bio-refinery plant (Australian Government n.d.). The funds will be used to support capital upgrades and annual maintenance costs for the Mossman Mill. During the transition period, FNM would continue to sell raw sugar produced at the Mossman Mill. Once the bio-refinery plant is established, FNM would supply its product (feedstock derived from milled sugar cane) to the bio-refinery plant. The bio-refinery plant will manufacture environmentally sustainable chemical products, mainly for export.

Australian Government administered expenditure was \$12.0 million in 2019-20. The grant has been assessed as initially benefiting businesses in the food products industry.

National Innovation Games

This program involved a series of innovation challenges held in every state and territory between August 2019 and June 2021. Its goal was ‘to see emerging talent, small to medium businesses, corporates, industry and the research sector coming together to innovate in the economic and social interest of the nation’ (National Innovation Games 2020).

The Australian Government provided \$3.5 million to fund the program over two years (DISER 2019a). Australian Government administered expenditure for 2019-20 was \$1.6 million.

This program has been assessed as initially benefiting SMEs across the whole economy, and therefore cannot be attributed to any specific industry. Accordingly, the expenditure has been included in the ‘unallocated other’ industry grouping.

Space Infrastructure Fund

The Australian Government announced the \$19.5 million Space Infrastructure Fund as part of the 2019-20 Budget, with funding to be allocated over the three years from 2019-20. Its

purpose is to reduce barriers to the growth of the Australian space sector (DISER 2019b). The Fund aims to increase capability and fill gaps in space infrastructure, and has the aspiration to create up to 20 000 jobs and triple the size of the Australian space sector by 2030 (DISER 2020b).

The Fund targets seven infrastructure projects around Australia, which include:

- space manufacturing facilities in New South Wales to support the delivery of future space manufacturing capability and the development of high-tech skills and new space objects (\$2 million)
- a Mission Control Centre in South Australia for SMEs and researchers to control small satellite missions (\$6 million)
- upgrading facilities to support precision tracking of satellites and spacecraft in Tasmania (\$1.2 million)
- robotics, automation and AI command and control in Western Australia (\$4.5 million)
- space data analysis facilities in Western Australia (\$1.5 million)
- space payload qualification facilities (\$2.5 million)
- Pathway to Launch projects (\$0.9 million) (DISER 2020b).

Australian Government administered expenditure for 2019-20 was \$5.1 million.

The initial beneficiaries of the fund are the: mining; professional, scientific and technical services; and the education and training industries (based on data provided by DISER).

Manufacturing Modernisation Fund

The Manufacturing Modernisation Fund was first administered in 2019. The fund provides grants to co-fund investments in 'efficient and transformative manufacturing processes' by SMEs and to support jobs growth and workforce skills in the manufacturing sector. (Australian Government 2021b).

The program will run over three years and will be delivered through two streams of funding totalling \$50 million. The first stream, with an estimated \$20 million funding, is for small-scale technology and efficiency investments. It provides grants of between \$50 000 to \$100 000 and will cover up to 50 per cent of eligible project costs. The second stream, with an estimated \$30 million funding, supports transformative investments in technologies and processes. It provides larger grants of between \$100 000 to \$1 million and will cover up to 25 per cent of eligible project costs (Australian Government 2021b).

In 2019-20, the value of Australian Government administered expenses for the fund was \$11.1 million.

Based on data provided by DISER, the following industries have been identified as the initial benefit recipients of the Fund: fruit and tree nut growing; food products; beverage and tobacco products; textile, leather, clothing and footwear; wood products; pulp and paper products; printing and recorded media; petroleum and coal products; basic chemical and chemical products; polymer and rubber products; non-metallic mineral products; primary metal and metal products; fabricated metal products; motor vehicle and parts; other transport equipment; machinery and equipment manufacturing; furniture and other manufacturing; construction; professional, scientific and technical services; health care and social assistance.

Ferretti International Whyalla Feasibility Study

Ferretti International provides a wide range of goods and services to industrial customers. The Ferretti International Whyalla Feasibility Study grant will be used by the company to conduct a detailed engineering and feasibility study for the development and operation of a transmission tower manufacturing plant in Whyalla using steel produced by the GFG Alliance in Australia.

The expected outcome of the grant is for the company to be able to participate in the proposed \$1.5 billion NSW-SA interconnector (Project EnergyConnect), which would transmit electricity between New South Wales and South Australia.

Australian Government funding for the study was \$0.6 million, provided through an ad-hoc grant.

This program has been assessed as initially benefiting businesses engaged in the fabricated metal products industry.

Australian Made Export Campaign

The Australian Made Export Campaign program provides funding to enhance country-of-origin branding in export markets, including funding to support the registration, enforcement and promotion of the Australian Made, Australian Grown logo trademark in export markets, as well as research into the logo's effectiveness.

Expenditure for this program in 2019-20 totalled \$1.0 million. Using information provided by DISER, the program has been assessed as initially benefiting businesses predominately in the professional, scientific and technical services industry.

Personal Protective Equipment Manufacturing Taskforce

Announced in response to the COVID-19 pandemic, the taskforce brings together stakeholders from the health sector to work with the Australian Government, manufacturers, hospitals and universities to ensure an adequate supply of personal protective equipment (PPE).

\$4 million was granted over two years to 2020-21 to Med-Con — a Shepparton-based company — to help increase the company’s surgical face mask production. The grant enabled Med-Con to increase its annual mask production from 2 million masks to a projected 89 million masks, including an order of 59 million masks for the National Medical Stockpile (DISER 2020a, p. 9). Australian Government spending was \$3.7 million in 2019-20.

Using information provided by DISER, the program has been assessed as initially benefiting businesses predominately in the textile, leather, clothing and footwear industry.

Australian Manufacturing Fund — Personal Protective Equipment

Announced in response to the COVID-19 pandemic, the fund aims to stimulate business investment in new technologies and processes in the manufacturing sector with a focus on supporting Australian manufacturers to produce PPE for the local market. The program provides funding to eligible businesses employing up to 199 employees.

The fund has a \$2.0 million budget over two years (2019-20 to 2020-21), with the value of Australian Government administered expenses for 2019-20 totalling \$1.5 million.

PPE typically encompasses a range of medical equipment such as: face masks; surgical and medical gloves; patient, surgical and isolation gowns; goggles and face shields; thermometers; blood and fluid spill-kits; hand sanitiser; and ventilators. Accordingly, the program has been assessed as initially benefiting businesses in the: textile, leather, clothing and footwear; polymer and rubber products; wholesale trade; and professional, scientific and technical services industries.

Surgical Mask Material

The purpose of this program is to build greater domestic manufacturing capacity to produce surgical masks to mitigate the risk of decreased supply and to meet the potential increase in demand within Australia.

The Australian Government provided \$4.6 million over two years (2019-20 to 2020-21) to Textor Technologies to develop and test materials that may be suitable as an alternative input in the domestic manufacture of face masks to combat the COVID–19 pandemic (Australian Government ndc). Government spending on the program was \$0.2 million in 2019-20.

The textile, leather, clothing and footwear industry is the program beneficiary.

Energy Efficient Communities Program

The Energy Efficient Communities Program will deliver \$40 million in grants to help businesses and community groups lower their energy bills and reduce emissions through: equipment upgrades; investment in energy and emissions monitoring and management systems; completion of energy systems assessments according to the Australian Standard; and energy generation and storage projects (for example, solar photovoltaic generator systems and batteries) (DISER 2021a).

The program has two streams. The business stream provides grants to small businesses and businesses that consume large amounts (over 0.05 petajoules) of energy each year. The community organisations stream supports non-profit organisations (DISER 2021a). Australian Government spending on the program was \$0.2 million in 2019-20.

Using information provided by DISER, the program has been assessed as initially benefiting businesses predominately in the ‘other services’ industry grouping.

Regional and Remote Communities Reliability Fund — Microgrids

The Regional and Remote Communities Reliability Fund — Microgrids — will run over five years from 2019-20 to 2023-24. The program was announced by the Australian Government as a measure in the 2019-20 Budget to support feasibility studies into microgrid technologies to replace, upgrade or supplement existing electricity supply arrangements in off-grid and fringe-of-grid communities located in regional and remote areas (Australian Government 2021c).

There is up to \$25.8 million available for this program. The minimum grant amount is \$100 000 and the maximum grant is \$10 million (Australian Government 2021c). Australian Government spending was \$1.8 million in 2019-20.

Using information provided by DISER, the program has been assessed as initially benefiting businesses predominately in the professional, scientific and technical services industry.

Supporting Reliable Energy Infrastructure Program

The Supporting Reliable Energy Infrastructure Program was announced by the Australian Government in March 2019. The program allocates \$10 million over three years to provide business case support, coordination between suppliers and customers, and develop a roadmap for securing the price-competitive generation for high-energy using and trade-exposed industries in central and north Queensland. Projects that could be assessed include projects involving gas, pumped hydro and biomass industries (DISER 2021b). The program is intended to support wholesale prices below \$60 per MWh. Australian Government spending in 2019-20 was \$1.3 million.

Using information provided by DISER, the program has been assessed as initially benefiting businesses predominately in the professional, scientific and technical services industry.

International Freight Assistance Mechanism Grants

The International Freight Assistance Mechanism (IFAM) is a temporary measure to help restore critical global supply chains affected by COVID-19 containment measures around the world. Under IFAM, support is provided to transport medical supplies, medicines and equipment on inbound flights to Australia, while on outbound flights, support is provided to transport Australian made or produced, high-value and time-sensitive products to established export markets (Austrade 2021, pp. 1–3; Australian Government ndf). A network of 15 freight forwarders and air freight service providers has been established to support the delivery of IFAM (Australian Government ndf). Australian Government spending for 2019-20 was \$55.0 million (Austrade 2020, p. 96).

This measure has been assessed as initially benefiting businesses across many industries, and cannot be attributed to any specific industry. Accordingly, the measure has been included in the ‘unallocated other’ industry grouping.

Regional Airlines Funding Assistance

This program was announced as part of the Australian Government’s response to the economic impacts of the COVID-19 pandemic on domestic air operators.

The objective of the program was to assist airlines and air operators supplying essential services to regional and remote locations to continue to provide essential air links by providing financial cash flow assistance where required according to the criteria in the grant guidelines. The funding was seen as a ‘last resort’ option when a range of other strategies to manage an organisation’s position had been undertaken (Australian Government nda).

The Australian Government announced funding of \$100 million across 2019-20 and 2020-21 for the program, with the value of grants paid to airlines subject to negotiation based on financial information provided with the application (DITRDC ndb). Australian Government spending was \$52.3 million in 2019-20 (DITRDC 2020a, p. 232).

This program has been assessed as initially benefiting businesses predominately in the transport, postal and warehousing industry grouping.

Regional Airline Network Support

This program provides funding to cover shortfalls in the operating costs of regional air routes to maintain a basic level of connectivity during the COVID-19 pandemic (DITRDC 2021). This

program supports critical air services to connect regional Australia to freight, medical testing, supplies and essential personnel (Australian Government ndb). The initial announcement of the program was for \$198 million with spending of \$27.3 million in 2019-20 (DITRDC 2020a, p. 232, McCormack 2020). Support has subsequently been extended to 30 September 2021.

This program has been assessed as initially benefiting businesses predominately in the transport, postal and warehousing industry grouping.

Domestic Aviation Network Support

This program subsidises flights on 50 domestic routes to support the aviation industry and help maintain minimum connectivity within Australia during the COVID-19 pandemic (DITRDC 2021). The initial announcement of the program in April 2020 was for up to \$165 million, with spending totalling \$122.7 million in 2019-20 (DITRDC 2020a, p. 232; McCormack 2020). Support will be provided until 30 September 2021.

This program has been assessed as initially benefiting businesses predominately in the transport, postal and warehousing industry grouping.

Waivers of Airservices Australia domestic aviation charges

Effective from 1 February 2020, the Australian Government announced an Australian Airline Financial Relief Package for the aviation industry, which included the refunding and waiving of a range of charges as part of the Government's response to the economic impact of the COVID-19 pandemic. The package comprises a series of measures, including a 50 per cent fee waiver on Airservices Australia charges, to help manage costs for airlines as they bring capacity back online and support more flights to be available sooner (DITRDC 2021).

As at 30 June 2020, \$92.5 million in charges for domestic aircraft operations had been waived (Airservices Australia 2020, p. 30), which has been assessed as initially benefiting businesses predominately in the transport, postal and warehousing industry grouping.

Reimbursement of aviation fuel excise

Also under the banner of the Airline Financial Relief Package, the Government announced relief for commercial and aeromedical aircraft operators from aviation fuel tax (excise and equivalent customs duty) from 1 February 2020 for 8 months (Australian Government 2020b, p. 1).

As at 30 June 2020, \$15.8 million was reimbursed as fuel relief for aircraft operations. (DITRDC 2020a, p. 232), which has been assessed as initially benefiting businesses predominately in the transport, postal and warehousing industry grouping.

Domestic aviation security charges rebate

Also as part of the Airline Financial Relief Package, the Australian Government announced it would provide commercial and aeromedical aircraft operators with relief from domestic aviation security costs from 1 February 2020 for 8 months (Australian Government 2020b, p. 2).

The total amount rebated by 30 June 2020 was \$24.4 million (DITRDC 2020a, p. 232), which has been assessed as initially benefiting businesses predominately in the transport, postal and warehousing industry grouping.

Location Incentive grant

The Location Incentive grant provides funding up to 13.5 per cent of a film project's qualifying Australian production expenditure. This grant complements and is additional to the Australian Government's existing 16.5 per cent Location Offset tax rebate. A production must be eligible for the Location Offset to be eligible for the Location Incentive (Ausfilm nd).

The objective of the Location Incentive is to help attract large budget international film and television productions, thereby providing opportunities for Australian cast, crew, post-production companies and other screen production service providers to participate in production. Its goal is to contribute to the development of the Australian screen production industry's capabilities and assist its future viability (DITRDC nda).

The grant will provide funding of \$540 million over eight years from 2019-20 (Australian Government ndc). Australian Government expenditure in 2019-20 was \$30.4 million (DITRDC 2020a, p. 120).

This grant has been assessed as initially benefiting businesses predominately in the arts and recreation services industry grouping.

Funding for Indigenous Arts Centres and Fairs

In response to the impacts of the COVID-19 pandemic, the Australian Government provided funding for Indigenous art centres and Indigenous art fairs 'to maintain operations, support artists and their communities and enable the continued creation of artwork so income can be generated through online sales and when the crisis has passed' (DITRDC ndc). Australian Government spending in 2019-20 was \$3.5 million (DITRDC ndc).

This assistance has been assessed as initially benefiting businesses predominately in the arts and recreation services industry grouping.

Regional Arts Fund

The Regional Arts Fund provides about \$3.6 million per annum to support artists and communities in regional and remote areas (Regional Arts Australia nd). With the impacts of COVID-19 pandemic in 2020, the agreement was extended for another year and a further \$10.0 million recovery boost was implemented (Regional Arts Australia nd). The measure is aimed to provide crisis relief to organisations, artists and arts workers in regional communities affected by the closure of arts venues and tourism restrictions (DITRDC 2020b).

Australian Government spending in 2019-20 was \$10.0 million, which has been assessed as initially benefiting businesses predominately in the arts and recreation services industry grouping.

Assistance to zoos and aquariums

Announced in April 2020, the Australian Government is providing \$94.6 million for the Supporting Australia's Exhibiting Zoos and Aquariums Program of which spending was \$7.3 million in 2019-20 (Austrade 2020, p. 109). The initiative provides funding to maintain the viability of eligible exhibiting zoos, aquariums and wildlife parks given the adverse impacts of COVID-19 on patronage by assisting businesses with the fixed costs associated with caring for animals (Australian Government 2020a).

The program has been assessed as initially benefiting businesses predominately in the arts and recreation services industry grouping.

4 Programs previously included in the estimates that had zero assistance in 2019-20

This chapter presents information on nine programs that were included in the assistance estimates for 2018-19 (and earlier years where applicable), but had zero assistance in 2019-20. The value of assistance provided by these programs was \$28.0 million in 2018-19 (table 4.1).

Table 4.1 Assistance programs in 2018-19 with zero assistance in 2019-20

<i>Program</i>	<i>Form^a</i>	<i>Initial benefiting industry</i>	<i>Assistance value 2018-19 (\$m)</i>
Support for Small Exporters - A Competitive Agricultural Sector	BO	Unallocated primary production	0.1
Carbon Capture and Storage Flagships Program	BO	Electricity, gas, water and waste services	8.9
Managing Farm Risk Program - Stronger Farmers, Stronger Economy	BO	Sheep, beef cattle and grain farming	0.2
Leadership in Agriculture Industries Fund	BO	Unallocated primary production	0.7
Package Assisting Small Exporters	BO	Unallocated primary production	0.1
Industry Skilling Program Enhancement	BO	Unallocated manufacturing	3.1
Industry 4.0 Testlabs for Australia	BO	Education and training	5.7
Thermochemical Conversion Technology Trial Facility	BO	Electricity, gas, water and waste services	4.5
Tasmanian Jobs and Growth Package	BO	Unallocated manufacturing	4.7
TOTAL			28.0

^a BO: budgetary outlay.

Source: Commission estimates.

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