



Australian Government
Productivity Commission

Trade & Assistance Review
2010-11

Methodological
Annex

Changes to the Commission's
Assistance Estimates

© Commonwealth of Australia 2012

This work is copyright. Apart from any use as permitted under the *Copyright Act 1968*, the work may be reproduced in whole or in part for study or training purposes, subject to the inclusion of an acknowledgment of the source. Reproduction for commercial use or sale requires prior written permission from the Productivity Commission. Requests and inquiries concerning reproduction and rights should be addressed to Media and Publications (see below).

This publication is available from the Productivity Commission website at www.pc.gov.au. If you require part or all of this publication in a different format, please contact Media and Publications.

Publications Inquiries:

Media and Publications
Productivity Commission
Locked Bag 2 Collins Street East
Melbourne VIC 8003

Tel: (03) 9653 2244
Fax: (03) 9653 2303
Email: maps@pc.gov.au

General Inquiries:

Tel: (03) 9653 2100 or (02) 6240 3200

An appropriate citation for this paper is:

Productivity Commission 2012, *Methodological Annex: Changes to the Commission's assistance estimates*, Trade & Assistance Review 2010-11, Canberra.

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) or by contacting Media and Publications on (03) 9653 2244 or email: maps@pc.gov.au

Contents

Changes to the Commission's assistance estimates	1
1.1 New programs added to the Commission's assistance estimates for Review 2010-11	2
1.2 Existing programs with zero funding in 2010-11	7
1.3 Methodological changes to the Commission's assistance estimates for Review 2010-11	7
References	15
Tables	
1 Previous methodological annexes to Trade & Assistance Review	2
2 Program funding in 2009-10 for programs with zero funding in 2010-11	8

Changes to the Commission's assistance estimates

Under its establishing Act, the Productivity Commission is required to report annually on industry assistance and its effects on the economy. As part of fulfilling this function, the Commission publishes quantitative estimates of assistance to Australian industry each year in its *Trade & Assistance Review*. The quantification of industry assistance helps to show who is advantaged and who is disadvantaged by the assistance structure. This can enable governments to make better informed policy decisions, potentially allowing them to improve the allocation of a community's scarce resources and, through this, improve community welfare.

This annex reports on changes made to the Commission's assistance estimates for the *Trade & Assistance Review 2010-11*. These changes comprise:

- new programs added to the estimates for 2010-11 (section 1.1);
- existing programs whose funding ceased in 2010-11 (section 1.2); and
- methodological changes to previous industry allocations, assistance measure categories and other amendments (section 1.3).

This annex is the latest in a series which provide information and updates on the Commission's assistance estimates and methodologies. Other relevant annexes, published since 2000, are listed in table 1.

A full list of Commission *Trade & Assistance Reviews* can be found at <http://www.pc.gov.au/annualreports/trade-assistance>.

Table 1 Previous methodological annexes to Trade & Assistance Review

<i>Date</i>	<i>Title</i>	<i>Details</i>
December 2000	Allocating Budgetary Assistance by 27 ANZSIC-based Industry Groupings	Methodological Annex: <i>Trade & Assistance Review 1999-2000</i>
December 2002	The Commission's Assistance Measurement System	Methodological Annex A: <i>Trade & Assistance Review 2001-02</i>
December 2002	Allocating Budgetary Assistance to Primary Production by 10 ANZSIC-based Industry Groupings	Methodological Annex B: <i>Trade & Assistance Review 2001-02</i>
June 2006	Allocating Budgetary Assistance by Industry Groupings: Recent Revisions	Methodological Annex: <i>Trade & Assistance Review 2004-05</i>
December 2008	The '2001-02' series of assistance estimates	Methodological Annex: <i>Trade & Assistance Review 2005-06 and 2006-07</i>
December 2011	The '2004-05' series of assistance estimates	Methodological Annex: for Reviews Commencing 2008-09

1.1 New programs added to the Commission's assistance estimates for Review 2010-11

This section presents an overview of the new programs added to the Commission's *Trade & Assistance Review 2010-11*.

Carbon Farming Initiative

The Carbon Farming Initiative is intended to help farmers, forest growers and landholders earn income by reducing agricultural emissions through improved land management (DAFF 2011).

The value of the administered expenses for 2010-11 is \$284 000 (DAFF 2011, p. 251).

The initiative is assessed as initially benefiting primary producers and has been allocated to the *unallocated primary production* grouping.¹

¹ The concept of the Initial Benefiting Industry (IBI) is described in more detail in *Methodological Annex: for Reviews Commencing 2008-09* (PC 2011). Briefly, the IBI is the industry, or industries, that receive the assistance first.

Tasmanian Contractors Assistance Program

The Tasmanian Contractors Assistance Program is intended to reduce business overcapacity in the Tasmanian native forest harvest and haulage contracting sector, and assist eligible businesses to exit the harvest and haulage contracting industry (DAFF 2012).²

The value of the administered expenses for 2010-11 is \$16.9 million (DAFF 2011, p. 252).

The program is assessed as initially benefiting businesses engaged in forest harvesting and haulage, and has been allocated to the *forestry and logging* industry grouping.

Regional Food Producers' Innovation and Productivity Program

The Regional Food Producers' Innovation and Productivity Program is intended to boost innovative production, processing and value-adding activities in regional food and seafood industries (DAFF 2011).

The value of the administered expenses for 2010-11 is \$5.1 million (DAFF 2011, p. 253).

The program is assessed as initially benefiting businesses in the food processing industry and has been allocated to the *food, beverages and tobacco* industry grouping.

Assistance for upgrade of Simplot Processing Plant (Tasmania)

The Australian Government announced that it would provide a \$3 million grant to Simplot Australia Pty Ltd to support a \$15.6 million upgrade of the company's coal-fired boilers (to natural gas) at its Ulverstone plant in Northern Tasmania (DIISR 2011).

The value of the administered expenses for 2010-11 is \$2 million (DIISR 2011a, p. 40).

The program is assessed as initially benefiting a firm engaged in food processing and has been allocated to the *food, beverages and tobacco* industry grouping.

² The program is also referred to as the Tasmanian Forest Contractors Exit Assistance Program.

Insulation Industry Assistance Package

The Insulation Industry Assistance Package was formed as part of the Australian Government's Home Insulation Safety Plan (DIISR 2011). The package provided financial assistance for ceiling insulation businesses including manufacturers, distributors, importers and installers adversely affected by the termination of the Home Insulation Program.

The value of the administered expenses for 2010-11 is \$22.9 million (DIISR 2011a, p. 36).

The industry incidence of the program is unclear and funding has therefore been allocated to the *unallocated other* grouping in the Commission ANZSIC-based industry classification.

Environmental Stewardship Program

The Environmental Stewardship Program uses voluntary market-based approaches intended to support private land managers (farmers, graziers, Indigenous communities, and other private land managers) to reduce critical threats to biodiversity by increasing the area of native habitat being managed for conservation (DSEWPC 2011). The program targets specific matters of national environmental significance under the *Environment Protection and Biodiversity Conservation Act 1999* which can be more effectively achieved through the actions of private land managers.

The value of the administered expenses for 2010-11 is \$13.3 million (DSEWPC 2011, p. 526).

The program is assessed as initially benefiting primary producers and has been allocated to the *unallocated primary production* grouping.

Payment scheme for Airservices Australia's en route charges

The Airservices Australia Enroute Charges Payment Scheme is intended to provide assistance to airlines providing regular public transport and aeromedical services in regional Australia through the payment of en route air traffic control charges. Eligible operators are able to claim a reimbursement of the en route air traffic control charges paid to Airservices Australia for these services (DIT 2012).

The value of the administered expenses for 2010-11 is \$4.0 million (DIT 2011, p. 114).

The program is assessed as initially benefiting businesses in the transport industry and has been allocated to the *transport and storage* industry grouping.

Rural research and development corporations

For *Review 2010-11*, two additional rural research and development corporations were included in the Commission's budgetary assistance estimates. These were the Australian Meat Processors Corporation Limited (AMPCL) and the Australian Livestock Export Corporation Limited (ALECL).

The value of the administered expenses for 2010-11, for the AMPCL is \$18.5 million (AMPCL 2011, p. 75) and \$3.9 million for the ALECL (ALECL 2011, p. 39).

The AMPCL is assessed as initially benefiting meat processing businesses and has been allocated to the *food, beverages and tobacco* industry group, while the ALECL is assessed as initially benefiting cattle and sheep producers and has been allocated to the *grain, sheep and beef cattle farming* industry group.

Green Building Fund

The Green Building Fund was established in October 2008, as part of the Australian Government's Clean Business Australia initiative (AusIndustry 2012a). The Fund is intended to reduce the impact of Australia's built environment on greenhouse gas emissions, by reducing energy consumed in the operation of existing commercial office buildings, hotels and shopping centres. Under the Fund, grants of between \$50 000 and \$500 000 are available on a competitive basis to help fund energy upgrades of commercial buildings. Grant recipients are required to fund at least half of the project from a commercial source.

The value of the administered expenses for 2010-11 is \$24 million (DIISR 2011b).

The industry incidence of the program is unclear and funding has therefore been allocated to the *unallocated other* grouping in the Commission ANZSIC-based industry classification.

Re-tooling for Climate Change

The Re-tooling for Climate Change program was established as part of the Australian Government's Clean Business Australia initiative (AusIndustry 2012b). The Government's intention for the program was to help Australian small and

medium sized manufacturing businesses reduce their environmental footprint through projects designed to improve the energy and/or water efficiency of their production processes. The program provided grants of between \$10 000 and \$500 000 with a limit of half of the cost of each project.

The value of the administered expenses for 2010-11 is \$7.6 million (DIISR 2011b).

The industry incidence of the program is unclear and funding has therefore been allocated to the *unallocated other* grouping in the Commission ANZSIC-based industry classification.

Australian Space Science Program

In the May 2009 Budget, the Australian Government announced the \$48.6 million Australian Space Science Program (ASSP) (DIISR 2011a). The \$40 million Australian Space Research Program (ASRP) was established as part of the ASSP. The ASRP is a competitive merit-based grants program intended to support space-related research, education and innovation activities. In addition, the Australian Government established a Space Policy Unit within the Department of Industry, Innovation, Science, Research and Tertiary Education to develop a National Space Industry Policy.

The value of the administered expenses for 2010-11 is \$11.2 million (DIISR 2011a).

Information provided by DIISR lists the program as providing assistance to the manufacturing sector, although the specific manufacturing industry is not identified. Funding has therefore been allocated to the *unallocated manufacturing category* grouping.

Procurement Strategy — strengthening the Australian Industry Participation National Framework and streamlining AusTender

In November 2009, the Australian Government announced that it would provide \$19.1 million over four years to strengthen the Australian Industry Participation (AIP) National Framework and for related initiatives to help ensure that Australian industry can participate in investment projects and government procurement (Australian Government 2009). Under the AIP National Framework, all levels of government are encouraged to adopt a consistent national approach to maximising Australian industry participation in Australian and overseas investment projects.

The value of the administered expenses for 2010-11 is \$3.5 million (Australian Government 2011).

Information provided by DIISR lists the program as providing assistance to the manufacturing sector, although the specific manufacturing industry is not identified. Funding has therefore been allocated to the *unallocated manufacturing category* grouping.

1.2 Existing programs with zero funding in 2010-11

This section presents information on programs currently included in the Commission's assistance estimates but whose funding was zero in 2010-11. In total, there were 19 programs with funding in 2009-10 which fell to zero, or ended, in 2010-11. While most of these programs also had funding in prior years, the table below presents funding for 2009-10, the year prior to program funding cessation (table 2).

1.3 Methodological changes to the Commission's assistance estimates for Review 2010-11

This section summarises the methodological adjustments made to the Commission's assistance measurement system for the *Trade & Assistance Review 2010-11*. These adjustments include changes made to both industry allocations and assistance measure categories for selected programs.

Changes to industry allocations

The Commission presents estimates of combined assistance for 35 industry groups, plus 4 unallocated groupings (PC 2011). The industry groupings are based on the classification of industries in the 1993 edition of the Australia and New Zealand Standard Industrial Classification (ANZSIC).³ The 35 industry groupings comprise 9 in the primary production sector, 11 in the manufacturing sector, 14 in the services sector, and mining.

³ A revised version of the ANZSIC was released in 2006. The Commission intends to update its estimates to this version of the ANZSIC for *Trade & Assistance Review 2011-12*.

Table 2 Program funding in 2009-10 for programs with zero funding in 2010-11

\$ million

<i>Program</i>	<i>Initial benefiting industry</i>	<i>Funding 2009-10</i>
Solar cities initiative	Property and business services	11.7
Innovation Investment Fund for South Australia	Mining; Food, beverages and tobacco; Metal products; Other machinery and equipment; Unallocated manufacturing; Electricity, gas and water supply; Communication services; Property and business services; and Unallocated other	6.1
Land & Water Australia - Research and Development	Unallocated primary production	5.7
Preseed fund	Other machinery and equipment; Other manufacturing; Communication services; Finance and insurance; Property and business services; and Health and community services	5.5
Remote Renewable Power Generation Program	Electricity, gas and water supply	4.4
Renewable Energy Development Initiative	Mining; Food, beverages and tobacco; Other machinery and equipment; Electricity, gas and water supply; and Property and business services	4.3
Investment incentive for Holden	Motor vehicles and parts	2.7
Fisheries Research Program	Fisheries	2.2
Pharmaceuticals Partnerships Program	Petroleum, coal, chemical and associated products; and Property and business services.	2.0
Small business programs	Construction; Finance and insurance; Property and business services; Government administration and defence; Education; Personal and other services; and Unallocated other	1.9
North East Tasmania Innovation and Investment Fund	Horticulture and fruit growing; Dairy cattle farming; Other livestock farming; Forestry and logging; Wood and paper products; Metal products; Other transport equipment; Other machinery and equipment; Construction; Retail trade; Accommodation, cafes and restaurants; and Transport and storage	1.4
Small business Support Line	Unallocated other	1.3
Australian Made Campaign - export strategy	Unallocated other	1.1

Table 2 (continued)

<i>Program</i>	<i>Initial benefiting industry</i>	<i>Funding 2009-10</i>
Drought assistance - Murray Darling Basin Grants to Irrigators	Unallocated primary production	0.8
R&D Start	Other manufacturing; Construction; and Property and business services	0.5
Farm Help	Horticulture and fruit growing; and Unallocated primary production	0.2
National Livestock Identification System	Grain, sheep and beef cattle	0.2
Tasmanian wheat freight subsidy	Unallocated other	0.1
ABC and SBS Digital Interference Scheme	Communication services	<0.1
Total		52.0

Source: Commission estimates.

Indigenous Broadcasting Program

The industry allocation for the Indigenous Broadcasting Program was changed from the *unallocated other* category to the *cultural and recreational services* industry group in the Commission's ANZSIC-based industry classification.

Changes to assistance measure categories

Budgetary assistance is often designed to encourage particular kinds of 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 classifies its estimates of Australian Government budgetary assistance into eight categories:

- industry-specific measures;
- sector-specific measures;
- R&D measures;
- general export measures;
- general investment measures;
- regional/structural adjustment measures;
- small business measures; and

-
- other measures.

The categorisation of six programs has been changed.

Renewable Energy Development Initiative

The assistance measure category for the Renewable Energy Development Initiative was changed from the *industry-specific* category to an *R&D* measure on the basis that the initiative has a strong R&D focus and provides support to firms across a broad range of industry groups.

This program is discussed in more detail in the Commission publication: *Methodological Annex: for Reviews Commencing in 2008-09* (PC 2011, p. 99).

Australian HomeGrown Campaign

The assistance measure category for the Australian HomeGrown Campaign program was changed from the *other measure* category to an *industry-specific* measure on the basis that funding from the program is initially directed towards a single industry in the Commission's ANZSIC-based industry classification.

This program is allocated to the *food, beverages and tobacco* industry group in the Commission's ANZSIC-based industry classification.

Australian Made Campaign - Export Marketing Strategy

The assistance measure category for the Australian Made Campaign – Export Marketing Strategy was changed from the *other measure* category to a *general export* measure to reflect the export focus of the program where grants are provided to fund projects to help promote export opportunities in international markets.

This program is discussed in more detail in the Commission publication: *Methodological Annex: for Reviews Commencing in 2008-09* (PC 2011, p. 157).

Renewable Energy Equity Fund

The assistance measure category for the Renewable Energy Equity Fund (REEF) was changed from an *industry-specific* category to an *R&D* measure to reflect that the Fund has a strong R&D focus and provides support to firms across a broad range of industry groups.

In the Commission's assistance estimates, the REEF is allocated across a number of industry groups in the Commission's ANZSIC-based industry classification.

This program is discussed in more detail in the Commission publication: *Methodological Annex: Trade & Assistance Review 2004-05* (PC 2006, p. 32).

Venture Capital Limited Partnerships

The assistance measure category for the Venture Capital Limited Partnerships program was changed from the *other measure* category to an *industry-specific* measure to reflect that funding from the program is initially directed towards a single industry in the Commission's ANZSIC-based industry classification.

This program is allocated to the *finance and insurance* industry group in the Commission's ANZSIC-based industry classification and is discussed in more detail in the Commission publication: *Methodological Annex: for Reviews Commencing in 2008-09* (PC 2011, p. 115).

Commercialisation Australia

The assistance measure category for Commercialisation Australia (CA) was changed from the *other measure* category to an *R&D* measure to reflect the strong R&D and commercialisation focus of CA.

This program is discussed in more detail in the Commission publication: *Methodological Annex: for Reviews Commencing in 2008-09* (PC 2011, p. 113).

Biotechnology Programs

The assistance measure categories for the Biotechnology Innovation Fund (BIF) and Biotechnology Australia – National Biotechnology Strategy – Backing Australia's Ability were changed from the *R&D* category to an *industry-specific* measure to reflect that funding from these programs is initially directed towards a single industry.

Biotechnology does not have a specific ANZSIC industry grouping and, depending on the nature of the program, can benefit a range of ANZSIC industry groups. The BIF and National Biotechnology Strategy are assessed as initially benefiting pharmaceutical firms which are located in the *petroleum, coal, chemical and associated products* industry group in the Commission's ANZSIC-based industry classification.

These programs are discussed in more detail in the Commission publication: *Methodological Annex: Trade & Assistance Review 2004-05* (PC 2006, p. 23 and p. 28, respectively).

Other changes

Estimates of budgetary assistance are updated in successive *Reviews* to reflect changes in source material. In addition, amendments are made due to processing errors and omissions. For this year's *Review*, amendments were made to three program groups, assistance to the film industry, the Small Business and General Business Tax Break, and the North East Tasmania Innovation and Investment Fund.

Film industry assistance

In May 2007, the Australian Government announced the four year Australian Screen Production Incentive (ASPI) which is intended to assist both domestic and offshore television and film production (PC 2008). The main elements of the package include:

- a producer offset to encourage Australian film and television productions;
- a location offset to attract large budget productions from offshore; and
- an offset for post, digital and visual effects production (PDV) done in Australia as part of large-budget productions, regardless of where the filming occurs.

The location offset replaced the Refundable Film Tax Offset (RFTO). The RFTO provided a financial incentive for film production to be undertaken in Australia. The final year of reported funding for the RFTO was in 2009-10.

In the 2009-10 *Review*, the producer offset was reported as \$118 million (in 2009-10). This funding, however, was also included in the estimate for the RFTO of \$242 million.

For the 2010-11 *Review*, the producer offset and RFTO programs have been combined into a single line 'Film Industry Offsets programs'. Funding of \$242 million and \$144 million is reported for 2009-10 and 2010-11, respectively.

Small Business and General Business Tax Break

The Small Business and General Business Tax Break (SBGBTB) was first announced in December 2008 as part of the *Nation Building Package*, an Australian

Government response to the global financial crisis, and was further enhanced in February 2009 as part of the *Nation Building and Jobs Plan* (PC 2009). The Tax Break is an investment allowance that provides a tax deduction for investing in new tangible depreciating assets. The size of the concession in percentage terms varies according to the business' turnover as well as when that business invests in the asset and has it ready for use.

The estimated revenue forgone for the Tax Break of \$1.5 billion and \$2.3 billion in 2009-10 and 2010-11, respectively, is reported in the 2010-11 *Review*. In the 2009-10 *Review*, the estimated revenue forgone for 2009-10 was reported as \$1.5 million.

North East Tasmania Innovation and Investment Fund

In August 2008, the Australian Government announced the introduction of the North East Tasmania Innovation and Investment Fund (NETIIF). The NETIIF is intended to increase employment opportunities in the north-east of Tasmania following the closure of the Tonganah softwood sawmill in Scottsdale. Following a competitive merit-based process, \$3.7 million was committed to 19 projects to support the creation of new jobs in the region. The NETIIF also replaced the previous Scottsdale Industry and Community Development Fund (SICDF) (DIISR 2010).

In the 2009-10 *Review*, \$1.4 million in funding for the NETIIF was reported as part of the SICDF.

For the 2010-11 *Review*, this funding, \$1.4 million in 2009-10, is reported for the NETIIF, while no funding is reported for the SICDF.

References

ALECL (Australian Livestock Export Corporation Limited) 2011, *Annual Report 2010-11*, Sydney.

AMPCL (Australian Meat Processors Corporation Limited) 2011, *Annual Report 2010-11*, Sydney.

AusIndustry 2012a, *Green Building Fund*, AusIndustry, Canberra, <http://www.ausindustry.gov.au/programs/innovation-rd/gbf/Pages/GBF-FactSheet.aspx> (accessed 16 May 2012).

— 2012b, *Re-tooling for climate change*, AusIndustry, Canberra, <http://www.ausindustry.gov.au/programs/innovation-rd/rcc/Pages/default.aspx> (accessed 16 May 2012).

Australian Government 2009, *Mid-Year Economic and Fiscal Outlook 2009-10*, Canberra, November.

— 2011, *Budget — Portfolio Budget Statements 2011-12, Budget Related Paper No. 1.14 — Innovation, Industry, Science and Research Portfolio*, Canberra, May.

DAFF (Department of Agriculture, Fisheries and Forestry) 2011, *Annual Report 2010-11*, Canberra.

— 2012, *Tasmanian Forest Contractors Exit Assistance Program*, Department of Agriculture, Fisheries and Forestry, Canberra, <http://www.daff.gov.au/forestry/national/tfceap> (accessed 17 April 2012).

DIISR (Department of Innovation, Industry, Science and Research) 2010, *Annual Report 2009-10*, Canberra.

— 2011a, *Annual Report 2010-11*, Canberra.

— 2011b, *Personal Communication*, November, Canberra.

DIT (Department of Infrastructure and Transport) 2011, *Annual Report 2010-11*, Canberra.

— 2012, *Payment Scheme for Airservices Australia's Enroute Charges*, Department of Infrastructure and Transport, Canberra, <http://www.infrastructure.gov.au/transport/programs/aviation/charges.aspx> (accessed 17 April 2012).

DSEWPC (Department of Sustainability, Environment, Water, Population and Communities) 2011, *Annual Report 2010-11*, Canberra.

Gillard, J. (Prime Minister) and Giddings, L. (Premier of Tasmania) 2011, *Historic agreement provides certainty for Tasmania's forests and forest industry*, Media release, 7 August.

PC (Productivity Commission) 2006, *Allocating Budgetary Assistance by Industry Groupings: Recent Revisions*, Methodological Annex to Trade & Assistance Review 2004-05, Canberra.

— 2008, *Trade & Assistance Review 2006-07*, Annual Report Series, Canberra.

— 2009, *Trade & Assistance Review 2007-08*, Annual Report Series, Canberra.

— 2010, *Trade & Assistance Review 2008-09*, Annual Report Series, Canberra.

— 2011, *Methodological Annex: for Reviews Commencing 2008-09*, Trade & Assistance Review 2008-09, Canberra.