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**Australian Government**  
**Productivity Commission**

# Trade & Assistance Review 2012-13

## Methodological Annex

## Changes to the Commission's Assistance Estimates

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### 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](http://www.pc.gov.au)).

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# Abbreviations

ABS	Australian Bureau of Statistics
ANZSIC	Australia and New Zealand Standard Industrial Classification
ATO	Australian Taxation Office
CRC	Cooperative Research Centre
DAFF	Department of Agriculture, Fisheries and Forestry
DBCDE	Department of Broadband, Communications and the Digital Economy
DE	Department of the Environment
DI	Department of Industry
DIICCSRTE	Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education
DIISR	Department of Industry, Innovation, Science and Research
DIRD	Department of Industry, Innovation and Regional Development
DRET	Department of Resources, Energy and Tourism
DSEWPC	Department of Sustainability, Environment, Water, Population and Communities
MTAA	Medical Technology Association of Australia
PC	Productivity Commission

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# 1 About this annex

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*. Quantifying industry assistance helps to show who is advantaged and who is disadvantaged by industry assistance and can enable governments to make better informed policy decisions, potentially allowing them to improve the allocation of the community's scarce resources and, through this, improve community welfare.

The Commission and its predecessors commenced publishing assistance estimates in the early 1970s. The estimates initially focused on the main forms of import protection for the manufacturing sector and domestic marketing arrangements for agriculture. Over time, the coverage has been expanded to include a broader range of measures, most notably budgetary outlays and tax concessions.

The Commission's estimates focus on the main forms of support — tariffs, budgetary outlays and tax concessions — that *selectively* assist firms, activities or industries and that can be quantified on an annual basis given practical constraints in measurement and data availability.

This annex reports on changes made to the Commission's assistance estimates for *Trade & Assistance Review 2012-13*. These changes comprise:

- new programs added to the estimates for 2012-13 (chapter 2);
- programs for which funding ceased in 2012-13 (chapter 3); and
- methodological changes to the assistance estimates for the income tax averaging provisions tax concession, industry allocations for selected Co-operative Research Centre (CRC) programs and the method used to revalue mining sector assistance estimates (chapter 4).

This annex also details the methodology used to report on rules of origin to trade agreements entered into by Australia, in the *Trade & Assistance Review 2012-13* (chapter 5).

This annex is the latest in a series that provides detailed information and updates on the Commission's assistance estimates and methodologies. Other relevant annexes, published since 2000, are listed in table 1.1.

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

**Table 1.1 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: Trade & Assistance Review 1999-2000
December 2002	The Commission's Assistance Measurement System	Methodological Annex A: Trade & Assistance Review 2001-02
December 2002	Allocating Budgetary Assistance to Primary Production by 10 ANZSIC-based Industry Groupings	Methodological Annex B: Trade & Assistance Review 2001-02
June 2006	Allocating Budgetary Assistance by Industry Groupings: Recent Revisions	Methodological Annex: Trade & Assistance Review 2004-05
December 2008	The '2001-02' series of assistance estimates	Methodological Annex: Trade & Assistance Review 2005-06 and 2006-07
December 2011	Methodological Annex: for Reviews Commencing 2008-09	Methodological Annex: Trade & Assistance Review 2008-09
June 2012	Changes to the Commission's Assistance Estimates	Methodological Annex: Trade & Assistance Review 2010-11
February 2014	Estimation Framework, Coverage and Re-benchmarking of Estimates	Methodological Annex: Trade & Assistance Review 2011-12

*Source:* Commission estimates.

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## 2 New programs

This chapter presents an overview of the new programs added to the Commission's *Trade & Assistance Review 2012-13*. These programs are ordered according to the department responsible for each program. Table 2.1 sets out the newly included measures in the Review.

### **Australian wine industry support**

In the 2012-13 federal budget, the Australian Government announced it would provide Wine Australia with new funding of \$2.1 million over two years to assist with marketing Australian wine (DAFF 2013, p. 56).

The value of administered expenses for 2012-13 is \$1.1 million (DAFF 2013, p. 152).

The program is assessed as initially benefiting firms engaged in grape growing and wine producing and has been allocated equally to the *horticulture and fruit growing* and *food, beverages and tobacco* industry groups.

### **Wine Australia Corporation**

The Wine Australia Corporation is the peak body representing the interests of the Australian wine industry. The Corporation's stated primary objective is to enhance the operating environment for the benefit of the Australian wine and grape industry by providing the leading role in: market development; knowledge development; compliance; and trade of grape products (DAFF 2013). On 1 July 2014, Wine Australia Corporation and the Grape and Wine Research and Development Corporation were merged to form the Australian Grape and Wine Authority.

The value of administered expenses for 2012-13 is \$5.4 million (DAFF 2013, p. 146).

The program is assessed as initially benefiting firms engaged in wine producing and grape growing and has been allocated equally to the *horticulture and fruit growing* and *food, beverages and tobacco* industry groups.



**Table 2.1 New budgetary assistance measures for  
Trade & Assistance Review 2012-13**

<i>Program</i>	<i>Form<sup>a</sup></i>	<i>Industry allocation</i>	<i>Funding 2012-13</i>
			<i>\$m</i>
Australian Wine Industry support	BO	Horticulture and fruit growing; and Food, beverages and tobacco	1.1
Wine Australia Corporation	BO	Horticulture and fruit growing; and Food, beverages and tobacco	5.4
Tasmania Forests Agreement – Implementation Package	BO	Forestry and logging	20.3
Indigenous Carbon Farming Fund	BO	Unallocated primary production	0.9
Clean Technology Innovation Program	BO	Non-Metallic mineral products; Metal and fabricated metal products; Machinery and equipment manufacturing; Electricity, gas, water and waste services; Information, media and telecommunications; and Property, professional and administrative services	2.4
Tourism Industry Regional Development	BO	Unallocated services	7.0
Asia Marketing Fund	BO	Unallocated other	8.5
Energy Efficiency Information Grants	BO	Unallocated other	4.6
Coal Mining Abatement Support Package	BO	Mining	1.0
Asia Pacific Partnership on Clean Development and Climate	BO	Unallocated other	0.2
Automotive New Markets Initiative	BO	Motor vehicle and parts	2.9
Energy Brix Australia Corporation	BO	Electricity, gas, water and waste services	9.1
Australian Paper's Maryville Pulp & Paper	BO	Wood and paper products	4.2
Vodafone Hutchison Australia - Tasmania Call Centre Expansion	BO	Information, media and telecommunications	4.0
Manufacturing Technology Innovation Centre	BO	Unallocated manufacturing	2.9
Premium Fresh Tasmania	BO	Horticulture and fruit growing	0.5
Digital Enterprise Program	BO	Unallocated other	1.9
Rebate for broadcasting licence fees	TE	Information, media and telecommunications	155.0
Product Stewardship for Oil Program	BO	Petroleum, coal, chemical and rubber products	33.4

<sup>a</sup> BO: budgetary assistance. TE: tax expenditures.

Source: Commission estimates.

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## Tasmania Forests Agreement – Implementation Package

In May 2013, the Australian and Tasmanian Governments signed a new Tasmanian Forests Intergovernmental Agreement (TFIGA 2013). The new agreement sets out in detail the specific support that is to be provided as part of the Tasmanian Forests Intergovernmental Agreement signed in 2011,<sup>1</sup> and the funding responsibilities of each government (DE 2014).

Key funding elements under the TFIGA 2013 include:

- \$25 million toward sawmiller exit and structural adjustment packages;
- \$20 million toward support for affected workers and contractors;
- \$100 million for an Economic Diversification Package (this funding is now to be provided in the form of the Tasmanian Jobs and Growth Plan (section 5.5));
- \$15.8 million toward Plantation Manufacturing Innovation and Investment;
- \$13.5 million toward the investigation and implementation of sustainable solutions for forest residues;
- \$7 million per annum, increasing to \$9 million per annum, indexed, for reserve management; and
- up to \$15 million to assist Forestry Tasmania with transitioning its operations (Department of the Environment, pers. comm., 30 May 2014; Tasmanian Government 2013).

The value of administered expenses for 2012-13 is \$20.3 million (DSEWPC 2013, p. 380).

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

## Indigenous Carbon Farming Fund

The Indigenous Carbon Farming Fund is intended to support Indigenous Australians to participate in the Carbon Farming Initiative by assisting them to access carbon farming specialists, business development expertise and legal advice for their participation in carbon farming projects (DSEWPC 2013).

The value of administered expenses for 2012-13 is \$0.9 million (DSEWPC 2013, p. 380).

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<sup>1</sup> In 2011, key industry, union, community and environmental groups developed an agreed position on the future of Tasmania's forest industry and environment — the Tasmanian Forest Agreement 2011. The Agreement outlines requirements for industry and affected workers, contractors and communities, conservation, durability, engagement with indigenous communities, institutional arrangements and support by government.

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The program is assessed as initially benefiting primary production activities. However, information on the specific industry incidence of the program has not been readily available. Accordingly, the budgetary outlay has been classified to the *unallocated primary production* industry grouping.

## **Clean Technology Innovation Program**

The Clean Technology Innovation Program is a competitive, merit-based grants program intended to support applied research and development, proof of concept and early stage commercialisation activities that lead to the development of new clean technologies and associated services including low emission and energy efficient solutions. The program provides grants of between \$50 000 and \$5 million on a co-investment basis of one dollar of government funding for each dollar of the applicant's investment (Australian Government 2014b).

The value of administered expenses for 2012-13 is \$2.4 million (DIISR, pers. comm., December 2013).

Information provided by DIISR has been used to allocate funding across the Commission's industry groupings. These industry groups include: *non-metallic mineral products; metal and fabricated metal products; machinery and equipment manufacturing; electricity, gas, water and waste services; information, media and telecommunications; and property, professional and administrative services.*

## **Tourism Industry Regional Development**

In June 2012, the Australian Government announced funding of \$48.5 million over four years to establish the Tourism Industry Regional Development Fund (TIRF) grants program. The program is intended to increase the quality and range of visitor experiences in regional Australia. A major focus of the program is to improve the quality of accommodation and attractions in regional areas and encourage innovative projects to attract interstate and international visitors and extend their length of stay (DIRD 2014).

The TIRF provides grants of up to \$250 000 on a dollar-for-dollar matched funding basis to support investment in tourism industry related accommodation, infrastructure, experiences and facilities.

The value of administered expenses for 2012-13 is \$7 million (DRET 2013, p. 197).

The program is assessed as initially benefiting businesses providing tourism services. However, information on the specific industry incidence of the program has not been readily available. Accordingly, the budgetary outlay and has been classified to the *unallocated services* industry grouping.

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## Asia Marketing Fund

In May 2012, the Australian Government announced it would establish the Asia Marketing Fund, providing \$61 million over four years. The Fund is primarily intended to promote Australia as a tourism destination to growing markets in Asia (DRET 2013, p. 65).

The value of administered expenses for 2012-13 is \$8.5 million (DRET 2013, p. 197).

Information on the industry incidence of the program has not been readily available. Accordingly, the budgetary outlay has been classified to the *unallocated other* industry grouping in the Commission's ANZSIC-based industry classification.

## Energy Efficiency Information Grants

The Energy Efficiency Information Grants program is a \$34 million merit-based, competitive grants program established by the Australian Government. The program is intended to assist industry associations and not-for-profit organisations to provide practical, tailored energy efficiency information to small-and-medium sized enterprises and community organisations (DI 2014a).

The value of administered expenses for 2012-13 is \$4.6 million (DRET 2013, p. 197).

Information on the industry incidence of the program has not been readily available. Accordingly, the budgetary outlay has been classified to the *unallocated other* industry grouping in the Commission's ANZSIC-based industry classification.

## Coal Mining Abatement Technology Support Package

The Coal Mining Abatement Technology Support Package, providing \$70 million over five years from 1 July 2012, was introduced by the Australian Government as part of the Clean Energy Future Plan. The Package is a technology development program intended to help maintain the viability and international competitiveness of the Australian coal mining industry under Australia's carbon pricing scheme (DRET 2014).

The value of administered expenses for 2012-13 is \$1 million (DRET 2013, p. 196).

The program is assessed as initially benefiting businesses engaged in mining activities and has been allocated to the *mining* industry grouping.

## Asia Pacific Partnership on Clean Development and Climate

The Asia Pacific Partnership on Clean Development and Climate is an intergovernmental program intended to enhance partnerships between the public and private sectors, promote best practices and technologies across a range of key sectors, and deepen cooperation

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among its seven partner countries (Australia, Canada, China, India, Japan, South Korea and the United States) (APP 2014).

The value of administered expenses for 2012-13 is \$0.2 million (DRET 2013, p. 196).

Information on the industry incidence of the program has not been readily available. Accordingly, the budgetary outlay has been classified to the *unallocated other* industry grouping in the Commission's ANZSIC-based industry classification.

### **Automotive New Markets Initiative**

In August 2012, the Australian, Victorian and South Australian Governments announced the introduction of the Automotive New Markets Initiative (ANMI). Commencing in 2012-13 with funding of \$47 million over four years, the initiative is intended to assist Australian automotive supply chain companies broaden their customer and product base, both domestically and internationally (DI 2014b).

The value of administered expenses for 2012-13 is \$2.9 million (DIISR, pers. comm., December 2013).

The program is assessed as initially benefiting firms in the automotive industry. While a substantial proportion of these firms are likely to be classified to the *motor vehicles and parts* industry grouping, firms may also be engaged in plastics, glass and fabric manufacturing and appropriately classified to other industry groupings. In the absence of detailed information on the specific industry incidence of the program, the budgetary outlay has been classified to the *motor vehicles and parts* industry grouping.

### **Energy Brix Australia Corporation**

In 2012, the Australian Government announced that it would provide a restructuring package for Energy Brix Australia Corporation intended to enable the company to maintain briquette production, at its Morwell facility in Victoria, for a period of up to two years (Ferguson, Combet and Crean 2012). The funding was intended to ensure that around 50 downstream businesses nationwide which rely on the briquettes have time to transition to alternative fuels or feedstock. Energy Brix Australia Corporation co-generates base-load electricity from its brown coal power station at Morwell in the Latrobe Valley, Victoria. Since the introduction of the carbon tax in July 2012, however, the plant has operated primarily to supply steam to the company's integrated brown coal briquette manufacturing facility with electricity generated as a by-product (DIICCS RTE 2013).

The value of administered expenses for 2012-13 is \$9.1 million (DIISR, pers. comm., December 2013).

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For *Trade & Assistance Review 2012-13*, this program was originally allocated to the *electricity, gas, water and waste services* industry grouping. On review, the initial benefiting industry was revised to *briquette manufacturing* which is located in the *petroleum, coal, chemical and rubber products* industry grouping in the Commission's ANZSIC-based classification. This change will be reflected in the upcoming 2013-14 *Review*.

### **Australian Paper's Maryvale Pulp and Paper**

In 2012, the Australian Government announced it would provide \$9.5 million over three years to Australian Paper. The assistance is intended to establish a de-inked pulp facility at its pulp and paper mill in Maryvale, Victoria. The new facility will enable Australian Paper to produce its own de-inked pulp for use in the manufacture of printing and communications paper, in turn reducing the company's reliance on native forest fibre (Australian Government 2012).

The value of administered expenses for 2012-13 is \$4.2 million (DIISR, pers. comm., December 2013).

The program is assessed as initially benefiting the manufacture of printing and communications paper and has been allocated to the *wood and paper products* industry grouping.

### **Vodafone Hutchison Australia – Tasmania Call Centre Expansion**

In 2012, the Australian Government announced that it would provide \$4 million to Vodafone Hutchison Australia intended to help expand its call centre operations at Kingston in Tasmania (Australian Government 2013).

The value of administered expenses for 2012-13 is \$4 million (DIISR, pers. comm., December 2013).

The program is assessed as initially benefiting Vodafone Hutchison Australia, a telecommunications company, and has been allocated to the *information, media and telecommunications* industry grouping.

### **Manufacturing Technology Innovation Centre**

In the 2012-13 federal budget, the Australian Government announced that it would provide \$29.9 million to establish the Manufacturing Technology Innovation Centre. The Centre is intended to improve collaboration between academia and industry, and drive the development of innovative products and processes (MTAA 2012).

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The value of administered expenses for 2012-13 is \$2.9 million (DIISR, pers. comm., December 2013).

The program is assessed as initially benefiting firms in the manufacturing sector. However, information on the specific industry incidence of the program has not been readily available. Accordingly the budgetary outlay has been classified to the *unallocated manufacturing* industry grouping.

### **Premium Fresh Tasmania**

In 2012, the Australian Government announced it would provide \$0.5 million to Premium Fresh Tasmania intended to implement structural changes required to ensure its ongoing viability. Premium Fresh partners with over 80 landholders to grow, harvest, pack and ship a variety of vegetables for the Australian and international markets (Australian Government 2012).

The value of administered expenses for 2012-13 is \$0.5 million (DIISR, pers. comm., December 2013).

The program is assessed as initially benefiting firms engaged in vegetable growing and has been allocated to the *horticulture and fruit growing* industry grouping.

### **Digital Enterprise Program**

The Digital Enterprise Program is a \$16.8 million grant program intended to provide free group training and face-to-face support for small-to-medium sized businesses and not-for-profit organisations to help improve the way they do business and deliver services online (DBCDE 2013).

The value of administered expenses for 2012-13 is \$1.9 million (DBCDE 2013, p. 24).

Information on the industry incidence of the program has not been readily available. Accordingly, the budgetary outlay has been classified to the *unallocated other* industry grouping in the Commission's ANZSIC-based industry classification.

### **Rebate for broadcasting licence fees**

Free-to-air television broadcasters received licence fee rebates of 33 per cent in 2010 and 50 per cent from 1 January 2011 to 30 June 2012 (Australian Government 2014a), which were estimated by Treasury to have an impact on revenue forgone estimates from 2010-11 to 2012-13. The Treasury's estimate of revenue foregone from the rebate is presented in table 2.2.

**Table 2.2 Rebate for broadcasting licence fees, 2009-10 to 2013-14**  
\$ million

	2009-10	2010-11	2011-12	2012-13	2013-14
Rebate for broadcasting licence fees	–	45.0	130.0	155.0	–

– Nil.

Source: Australian Government 2014a.

The value of administered expenses for 2012-13 is \$155 million (Australian Government 2014a, p. 152).

The program is assessed as initially benefiting firms providing free-to-air television broadcasting services and has been allocated to the *information, media and telecommunications* industry grouping.

## Product Stewardship for Oil Program

The Product Stewardship for Oil (PSO) Program was introduced by the Australian Government in 2001. The program, administered by the Department of the Environment, is intended to encourage the environmentally sustainable management and re-refining of used oil and its reuse. The program aims to achieve this outcome through the provision of financial incentives to increase the recycling of used oil (DE 2014).

The Product Stewardship (Oil) Act 2000 establishes the general framework and benefit entitlements of the program's arrangements. These arrangements comprise a levy-benefit system, where a 5.449 cent per litre levy on manufacturers of relevant new mineral oils and recycled products (both domestic and imported) helps fund payments to used oil recyclers. While the levy is intended to offset the cost of the program, it is not hypothecated to payments made to oil recyclers. In 2012-13, the dollar value of payments processed was \$33.4 million while the dollar value of revenue collected was \$21.6 million (table 2.3).

**Table 2.3 Product stewardship for oil program, 2007-08 to 2012-13**  
\$ million

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Payments processed – subsidy	36.0	40.5	33.0	35.0	36.0	33.4
Revenue collected – levy	20.8	20.0	21.0	22.0	22.0	21.6
Shortfall	-15.2	-20.5	-12.0	-13.0	-14.0	-11.8

Source: Commissioner of Taxation Annual Report (various years).

The value of administered expenses for 2012-13 is \$33.4 million (ATO 2013, p. 68).



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The program is assessed as initially benefiting firms recycling used oil and has been allocated to the *petroleum, coal, chemical and rubber products* industry grouping.

### 3 Programs with zero funding

This chapter presents information on programs currently included in the Commission's assistance estimates but whose funding was zero in 2012-13. In total, there were 25 programs with funding in 2011-12 that fell to zero, or ended, in 2012-13. While most of these programs also had funding in prior years, the table below presents funding for 2011-12, the year prior to program funding cessation (table 3.1).

**Table 3.1 Program funding in 2011-12 for programs with zero funding in 2012-13**

<i>Program</i>	<i>Form<sup>a</sup></i>	<i>Initial benefiting industry</i>	<i>Funding 2011-12 \$m</i>
Energy Security Fund – transitional assistance	BO	Electricity, gas, water and waste services	1000.0
Coal Sector Jobs Package	BO	Mining	218.0
Steel Transformation Plan	BO	Metal and fabricated metal products	164.0
Ford Australia Assistance	BO	Motor vehicle and parts	34.0
Energy Innovation Fund	BO	Unallocated manufacturing	32.7
Exceptional Circumstances – interest rate subsidies	BO	Horticulture and fruit growing; Sheep, beef cattle and grain farming; Other crop growing; Dairy cattle farming; Other livestock farming; Aquaculture and fishing; Forestry and logging; Primary production support services; Unallocated primary production; and Transport, postal and warehousing	32.0
Temporary Assistance for Tasmanian Exporters	BO	Sheep, beef cattle and grain farming; Aquaculture and fishing; Forestry and logging; Unallocated primary production; Mining; Unallocated manufacturing; Transport, postal and warehousing; Education and training; Arts and recreation services; and Unallocated other	20.0
Automotive Industry Structural Adjustment Program	BO	Motor vehicle and parts	16.8
Climate Change Adaption Partnerships Program	BO	Unallocated primary production	8.5
Procurement Strategy	BO	Unallocated other	6.4
Climate Change and Productivity Research Program	BO	Unallocated primary production	6.2
Clean Energy Trade and Investment Strategy	BO	Unallocated other	4.9

(continued next page)

**Table 3.1 (continued)**

<i>Program</i>	<i>Form<sup>a</sup></i>	<i>Initial benefiting industry</i>	<i>Funding 2011-12</i>
			<i>\$m</i>
Clean Business Australia – Climate Ready Program	BO	Other crop growing; Primary production support services; Mining; Food, beverages and tobacco; Petroleum, coal, chemical and rubber products; Motor vehicle and parts; Machinery and equipment manufacturing; Electricity, gas, water and waste services; Construction; Wholesale trade; and Property, professional and administrative services	4.7
Clean Business Australia – Re-tooling for Climate Change	BO	Unallocated manufacturing	4.2
National Weeds and Productivity Research Program	BO	Unallocated primary production	4.0
Solar Flagships Program	BO	Electricity, gas, water and waste services	3.8
Assistance for upgrade of Simplot Processing Plant (Tasmania)	BO	Food, beverages and tobacco	1.0
Commercial Ready Program	BO	Aquaculture and fishing; Petroleum, coal, chemical and rubber products; Machinery and equipment manufacturing; Construction; Property, professional and administrative services; and Education and training	0.8
Northern Australia Beef Industry Strategy Indigenous Pastoral Project	BO	Sheep, beef cattle and grain farming	0.5
Automotive Market Access Program	BO	Motor vehicle and parts	0.5
Infrastructure bonds scheme	TE	Electricity, gas, water and waste services; and Transport, postal and warehousing	0.5
Regional Food Producers' Innovation and Productivity Program	BO	Food, beverages and tobacco	0.4
COMET Program	BO	Primary production support services; Mining; Petroleum, coal, chemical and rubber products; Motor vehicle and parts; Machinery and equipment manufacturing; Furniture and other manufacturing; Transport, postal and warehousing; Information, media and telecommunications; Property, professional and administrative services; Education and training; and Health care and social assistance	0.2
Farm Help	BO	Horticulture and fruit growing; and Unallocated other	0.1
Interim Income Support	BO	Horticulture and fruit growing; Sheep, beef cattle and grain farming; Other crop growing; Dairy cattle farming; Other livestock farming; Aquaculture and fishing; Primary production support services; Unallocated primary production; and Transport, postal and warehousing	<0.1

<sup>a</sup> BO: budgetary assistance. TE: tax expenditures.

Source: Commission estimates.

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## 4 Methodological changes to the estimates

This chapter summarises the methodological adjustments included in the assistance measurement system for the *Trade & Assistance Review 2012-13*. These adjustments include changes made to:

- the derivation of revenue foregone for the income tax averaging provisions for primary producers tax concession;
- selected industry allocations for individual Co-operative Research Centre (CRC) programs; and
- the method used to revalue mining sector assistance estimates from 2008-09 dollars to current dollar estimates.

### **Income tax averaging provisions for primary producers**

The income tax averaging provisions for primary producers tax concession allows primary producers to average their income over a five-year cycle in order to minimise their tax liability. Under the averaging provisions, primary producers may pay tax on their income at the rate of tax applicable to their average income, regardless of whether the average rate is greater or less than ordinary rates. This provides a concession as the saving from paying less tax in high income years outweighs additional tax paid in low income years (Australian Government 2014a).

The Commission sources estimates of revenue foregone under the income tax averaging scheme from the Treasury's annual Tax Expenditure Statement (TES). For the 2013 TES, however, the Treasury did not provide an estimate for the tax concession in 2012-13. Treasury noted that projections beyond 2011-12 have not been reported as the concession is sensitive to variations in primary production income, which depends on a number of external factors. The Treasury, however, provided a range of possible estimates of revenue foregone from \$100 million to \$1 billion. The Commission has used the lower end of the range to represent revenue foregone under the scheme in 2012-13. Estimates of the concession since 2007-08 are presented in table 4.1.

**Table 4.1      Income tax averaging provisions for primary producers, 2007-08 to 2012-13**

\$ million

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13 <sup>a</sup>
Income tax averaging provisions for primary producers	110.0	100.0	85.0	155.0	145.0	100.0

<sup>a</sup> The Commission has selected Treasury's lower bound of the estimated range – \$100 million to \$1 billion – of estimated revenue foregone from the income tax averaging scheme.

Source: Australian Government (2014a).

## Cooperative Research Centres

The Cooperative Research Centres (CRC) program was established by the Australian Government in 1991 with the intention of improving the effectiveness of Australia's R&D effort. Among other things, the program aims to link researchers with industry to focus R&D efforts towards utilisation and commercialisation (DIICCSRTE 2013).

The CRC program is administered by the Department of Industry. Each year, the Department provides the Commission with funding information for each individual CRC.

In many cases, because of the particular focus of a CRC, an initial benefiting industry is readily identifiable.<sup>1</sup> For example, the Metal Cast CRC is allocated to the metal products manufacturing industry grouping. In some cases, however, the program's research effort does not appear to benefit a particular industry or industries selectively. For example, the Antarctic Climate and Ecosystems CRC is not classified as budgetary assistance to industry.

For *Trade & Assistance Review 2012-13*, the Commission revised the industry allocation for some individual CRCs. These changes are outlined in table 4.2. The impact of these changes on the assistance estimates for 2012-13 is a net reduction in allocated assistance to the *health care and social assistance* industry grouping of \$21.3 million in the published estimates.<sup>2</sup>

<sup>1</sup> The initial benefiting industry allocation methodology is discussed in more detail in the Methodological Annex to the *Trade & Assistance Review 2011-12* (PC 2014).

<sup>2</sup> Further examination of the activities of these CRCs as part of the preparation of this Annex has indicated that a wider range of the CRC may have an industry component than implied by the published estimates. It is intended to further review the allocation for the 2013-14 *Review*.

**Table 4.2 Changes to Cooperative Research Centres industry allocations**

CRC Program	Previous industry allocation	Current industry allocation	Funding 2012-13	
			Allocated	Not allocated
			\$m	\$m
Vision CRC	Health care and social assistance	Not allocated	–	5.5
CRC for Biomarker Translation	Not allocated	Health care and social assistance	4.1	–
Oral Health CRC	Health care and social assistance	Not allocated	–	3.5
HEARing CRC	Health care and social assistance	Not allocated	–	3.6
Wound Management Innovation CRC	Health care and social assistance	Not allocated	–	4.3
Young and Well CRC	Health care and social assistance	Not allocated	–	4.5
CRC for Mental Health	Health care and social assistance	Not allocated	–	4.0
<b>Total</b>			<b>4.1</b>	<b>25.4</b>

– Nil.

Source: Commission estimates.

## Combining tariff and budgetary assistance – conversion to a current dollar basis

The Commission's tariff assistance estimates are initially derived for all years in the series in 2008-09 Input-Output base-year dollars. That is, different tariff levels, or rates, over a number of years are combined with the same 2008-09 ABS input-output data. This approach provides multi-year estimates of GSE and TEM tariff assistance in constant 2008-09 dollars and estimates of effective rates of tariff assistance using constant reference year input-output coefficients.

In contrast, expenditure under budgetary assistance programs, including budgetary outlays and tax concessions, is in current year dollars.

To combine estimates of the value of tariff assistance at reference-year values, currently 2008-09, with estimates of budgetary assistance at current-year values, the estimates of tariff assistance need to be revalued from input-output base-year dollars to current-year dollars, holding the reference year input-output coefficients constant. For assistance estimation, ABS estimates of Gross Value Added (GVA) at current prices by national accounts industry division are generally used to scale estimates of tariff assistance on outputs and inputs from base-year values to current-year values. Supporting data are also

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used to apportion GVA on a current price basis from the aggregate primary production and manufacturing industries to the industry groupings adopted for reporting estimates of assistance.

The concordance between trade and assistance industry groupings and the national accounts division and the supplementary data used in the estimation process is provided in table 4.3.

For *Trade & Assistance Review 2012-13*, the method used to revalue mining industry estimates from input-output base-year dollars to current-year dollars differs from that applied to other industries to take account of mining terms of trade effects. As noted, under the general approach, both inputs and outputs are scaled by the current value of industry value added. This involves the simplifying assumption that the value of inputs and outputs moved proportionately. However, substantial variations in industry terms of trade can erode the applicability of this assumption and can fall disproportionately on assistance to outputs or inputs. Mining industry has negligible tariffs on outputs but incurs a tariff penalty on inputs. Including changing mining terms of trade in the calculations inflates (or deflates) the estimated tariff penalty on inputs. To overcome this valuation problem, the mining estimates of inputs and outputs were projected using the ABS Industry Gross Value Added chain volume measures.

For 2012-13, the impact of changing the scaling adjustment on the assistance estimates for mining is to increase the estimated tariff penalty on mining activity by around \$40 million from what it would otherwise have been — removing the effect of the significant decline in the mining terms of trade from 2011-12 to 2012-13. This adjustment reduces the estimated net subsidy equivalent for the mining industry (inclusive of budgetary assistance) to around \$331 million. The valuation adjustment does not affect input-output coefficients used in the estimation of effective rates of assistance. The effect of the adjustment on the effective rate of assistance for mining is therefore negligible

**Table 4.3      Concordance between Trade & Assistance industry group and national accounts industry division**

<i>Trade &amp; Assistance industry group (ANZSIC 2006)</i>	<i>National accounts industry division (ANZSIC 2006)</i>	<i>Supplementary data</i>
Horticulture and fruit growing Sheep, beef cattle and grain growing Other crop growing Dairy cattle farming Other livestock farming Aquaculture and fishing Forestry and logging Primary production support services	Agriculture, Forestry and Fishing	<p>ABS National Accounts industry gross value added chain volume measures (Cat. No. 5204.0) are used to split agriculture from forestry and fishing (combined). ABS value of agricultural commodities produced (Cat. No. 7503.0) are then used to split agriculture into the Commission's agricultural industry groupings. The latest available input-output data (Cat. No. 5209.0), currently 2009-10, are used to split the combined forestry and fishing estimates to Aquaculture and fishing and Forestry and logging.</p>
Mining	Mining	
Food, beverages and tobacco Textile, clothing, footwear and leather Wood and paper products Printing and recorded media Petroleum, coal, chemical and associated products Non-metallic mineral products Metal and fabricated metal products Motor vehicles and parts Other transport equipment Machinery and equipment manufacturing Furniture and other manufacturing	Manufacturing	<p>ABS National Accounts gross value added chain volume measures (Cat. No. 5204.0) are used to split most of the manufacturing industries into the Commission's ANZSIC-based industry groupings. Detailed information, however, is not available for: motor vehicles and parts; other transport equipment; machinery and equipment manufacturing; and furniture and other manufacturing. These industry groups are split into the Commission's ANZSIC-based industry groupings using the latest available, 2009-10, ABS input-output data (Cat. No. 5209.0).</p>

Continued next page



**Table 4.4 (continued)**

<i>Trade &amp; Assistance industry group (ANZSIC 2006)</i>	<i>National accounts industry division (ANZSIC 2006)</i>	<i>Supplementary data</i>
Electricity, gas, water and waste services	Electricity, gas, water and waste services	
Construction	Construction	
Wholesale trade	Wholesale trade	
Retail trade	Retail trade	
Accommodation and food services	Accommodation and food services	
Transport, postal and warehousing	Transport, postal and warehousing	
Information, media and telecommunications	Information media and telecommunications	
Financial and insurance services	Financial and insurance services	
Property, professional and administrative services	Rental, hiring and real estate services; Professional, scientific and technical services; Administrative and support services; and Ownership of dwellings	
Public administration and safety	Public administration and safety	
Education and training	Education and training	
Health care and social assistance	Health care and social assistance	
Arts and recreation services	Arts and recreation services	
Other services	Other services	

Source: ABS (2006; 2013); Commission estimates.

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## 5 Rules of Origin methodology

This chapter summarises the methodology used to create the rules of origin figures published in the *Trade & Assistance Review 2012-13* and replicated below in figure 5.1. The methodology is outlined for the trade agreements Australia has entered into to date with New Zealand, Thailand, the United States, Chile, ASEAN, Malaysia and Korea. The texts for the rules of origin for each agreement are sourced from the Department of Foreign Affairs and Trade (DFAT) website.<sup>1</sup> The general methodology is outlined below while the detailed calculations for individual agreements are in appendix A. The supporting spreadsheets deriving the summary of methods used to determine origin reported in the *Review* (figure 6.1, p. 117) are provided on the web with this Annex.

To support the analysis of methods to determine origin — the rules of origin — the texts for each agreement were downloaded from the DFAT trade agreement website and saved to an Excel spreadsheet. It was not possible to adopt common procedures to summarise rules across agreements due to the:

- complexity of product-specific rules of origin in each agreement and the marked differences between agreements; as well as
- substantial differences in formatting and nomenclature in each of the agreements.

Rather the detailed procedures used to tally the incidence of rules of different types had to be tailored to the texts of the individual agreements. Box 6.6 (p. 115) in the *Review* illustrates how differences manifest in actual agreements with reference to the tariff item Curtains (including drapes) and interior blinds; curtain and bed valances (HS item 6303). Differences in expression are illustrated by the agreement-specific nomenclatures. While the ASEAN and Korean agreements which use acronyms in rules texts (such as CC which describes a tariff change at the 2-digit chapter level), other agreements use full text descriptors for each origin rule, often involving complex layering of texts. All agreements include, to some extent, rule choices with these typically being expressed differently between agreements.

The rule differences and differences in formatting also mean that the approach to counting the number of rules in each agreement needs to be tailored to the texts. Tailoring is also required to avoid double counting of rules in some agreements, particularly when the rules for a trade item include multiple choices.

Because of the complexity of origin rules in individual agreements, and differences of rules and the expression of them between agreements, there is no single way of summarising

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<sup>1</sup> [www.dfat.gov.au/fta](http://www.dfat.gov.au/fta)

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rules within and between agreements. The approach adopted for the 2012-13 *Review* has a number of aspects.

- The individual rules can be expressed at the 2-digit chapter, 4-digit heading, the 6-digit subheading levels or for groupings of tariff line items of the Harmonized System (HS) of international trade items. The counts are made in respect of the items or groups as expressed in the agreement texts. As a consequence, the number of individual rules in any one agreement can be substantial and, moreover, vary between agreements. Individual rules can offer single or multiple choices and each choice can include one or more tests of origin.<sup>2</sup>
- For each rule, rules entailing a change in tariff classification (CTC) test only, a regional value content (RVC) test only, and the choice of either a CTC or RVC test are separately identified. Other rules such as ‘wholly obtained’, technical tests, or CTC and RVC rules are included in the ‘other’ category reported.
- The focus of reporting on the application of the CTC method is on the first component (or choice) of each rule. The reporting indicates whether the CTC test is applied at the 2-digit chapter, 4-digit heading or the 6-digit subheading levels. The reporting includes tests that are CTC only and CTC in combination with another criterion, such as an RVC test or a technical test.<sup>3</sup>

The procedures underpinning the reporting involve performing a *cell count* to determine the total number of rules and then *counting the number of individual rules* that correspond to the rule-types reported. For the left hand panel in figure 5.1, all possible origin rules were separated into four categories — those that involve a change in tariff classification only test (covering changes in tariff classification at the 2-digit chapter, 4-digit heading and 6-digit subheading level); those that involve a regional value content test only; those that involve either a change in tariff classification or a regional value content test; and all other rules. For the right hand panel of figure 5.1, rules that only involve a change in tariff classification were counted. As noted, for rules with multiple components (or choices), the reporting refers to the CTC of the first component. The counts of the application of the CTC method in the first rule were decomposed into three categories — a change at the 2-digit tariff item chapter level, a change at the 4-digit tariff item heading level and a change at the 6-digit tariff item subheading level.

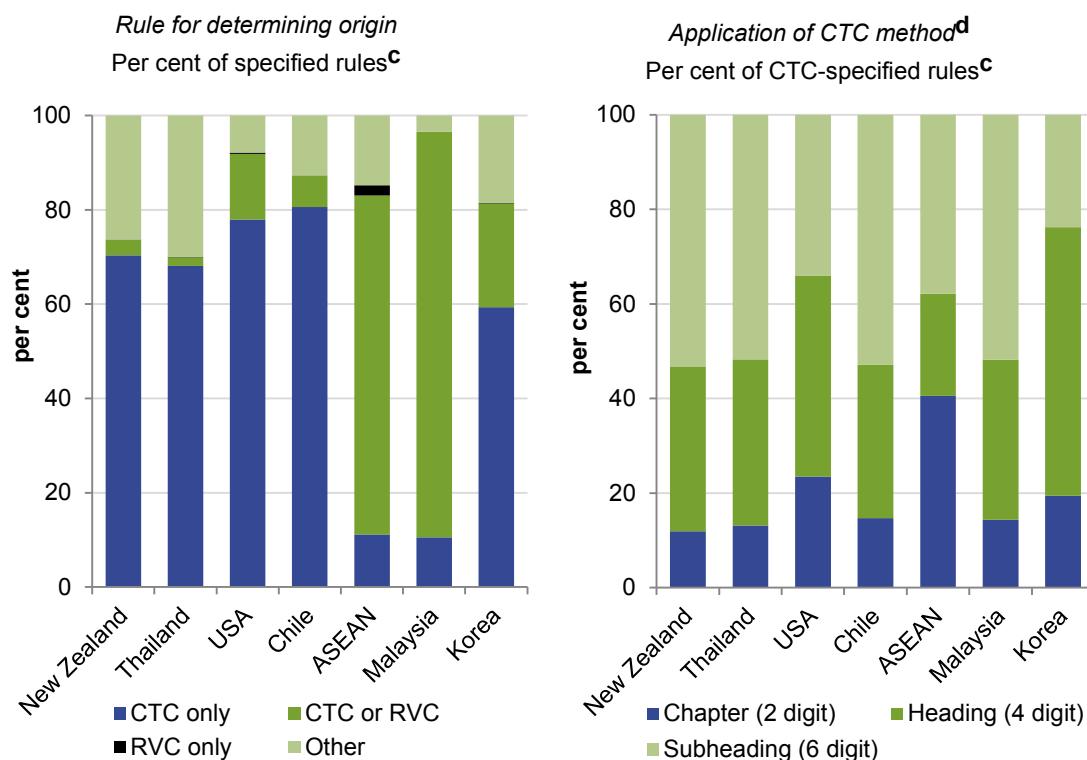
The counts of the incidence of rules of origin, on which figure 5.1 is based, are shown in table 5.1. Figure 5.1 in this Annex corresponds to figure 6.1 in the Review.

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<sup>2</sup> If each alternative in multiple test rules for an individual trade item or group of trade items were counted the ‘number’ of rules for each agreement would be substantially higher than reported.

<sup>3</sup> The application of the CTC methods in any second (and subsequent) components (or choices) in each rule would differ from the application in the first component and could be tallied separately.

Figure 5.1 **Summary of methods used to determine origin in recent preferential trade agreements with Australia<sup>a,b</sup>**



<sup>a</sup> 'CTC' refers to a change in tariff classification test. 'RVC' refers to a regional value content rule. 'Other' includes, combined CTC and RVC rules, CTC rules with exceptions and specified process tests requiring particular production methods needed to qualify for preferential entry. The figures are slightly different to those published in the *Trade & Assistance Review 2012-13* due to minor revisions to selected calculations. <sup>b</sup> The agreement with Singapore is not included as it applies a single three-tiered test of origin. <sup>c</sup> Individual rules can be expressed at the 4-digit heading level, 6-digit subheading level or groupings of tariff line items. <sup>d</sup> When the Australia-New Zealand CER agreement entered into force in 1983, an RVC rule with a simple technical test was the main rule applied. The revised rules reported replaced that rule and have been in force since 1 January 2007.

Source: Commission estimates.

**Table 5.1 Incidence of methods used to determine origin in recent preferential trade agreements with Australia**

	<i>New Zealand</i>	<i>Thailand</i>	<i>United States</i>	<i>Chile</i>	<i>ASEAN</i>	<i>Malaysia</i>	<i>Korea</i>
<i>Incidence of rules for determining origin</i>							
CTC only	1978	1979	764	2260	346	282	3089
RVC only	2	1	3	0	67	0	8
CTC or RVC	93	55	136	187	2231	2303	1142
Other	740	872	77	356	458	92	966
Total <sup>a</sup>	2813	2907	980	2803	3102	2677	5205
<i>Incidence of rules for the application of the CTC method</i>							
Chapter 2-digit	333	378	229	411	1107	381	936
Heading 4-digit	973	1009	415	907	589	900	2739
Subheading 6-digit	1486	1489	332	1480	1035	1377	1147
Total	2792	2876	976	2798	2731	2658	4822

<sup>a</sup> The count of listed rules reported in table 6.1 of *Trade & Assistance Review 2012-13* corresponds to this Total. Due to processing differences there are very minor variations between the two representations for some agreements.

Source: Commission estimates.

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# A Rules of Origin calculations country details

The data set constructed using the methodology described below is at: <http://www.pc.gov.au/annual-reports/trade-assistance/2012-13>.

## A.1 The Australia-New Zealand agreement

The product-specific rules of origin for the Australia-New Zealand agreement which came into force on 1 January 2007 are available at [http://www.dfat.gov.au/fta/anzcerta/anz\\_cer\\_rules\\_of\\_origin.html](http://www.dfat.gov.au/fta/anzcerta/anz_cer_rules_of_origin.html).<sup>1</sup>

### Total number of rules - left hand panel in figure 5.1

The total number of cell entries is determined by counting all cells in column D which contain a value. The cell count is derived by using the Excel function: COUNTIF(D50:D3690,"\*\*\*"). The cell count is 3109.

From this value, subtract all cell entries that have a single rule choice such as CTC or RVC in order to avoid double counting. Rule choice entries use “; or” to signify rule choice. The cell count is derived by using the Excel function: COUNTIF(D50:D3690,"\*\*\*; or\*\*\*"). The cell count is 289.

From this value subtract all cell entries that have a multiple rule choice such as CTC or RVC in order to avoid double counting. Rule choice entries use “; or” to signify rule choice. The cell count is derived by visual check and verified using a summation of cell calculations using the Excel function COUNTIF(D48,"\*\*\*; or\*\*\*") \* COUNTIF(D49,"\*\*\*; or\*\*\*"). The cell count is 7.

**The total number of rules for CER is 2813 (or 3109 – 289 – 7).**

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<sup>1</sup> Australia and New Zealand agreed to reform the original rules of origin under the agreement on 11 December 2004. From 1 January 2007, a change of tariff classification (CTC) approach replaced the regional value content (RVC) approach in place under the original agreement.

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## CTC only rules

### *Change at the 2-digit tariff item chapter level*

The number of single rules at the 2-digit tariff item level is determined by finding rules that contain the string “from any other chapter”. The cell count is derived by using the Excel function: COUNTIF(D50:D3690,"\*\*\*from any other chapter"). The cell count is verified by applying the Excel function to each line item and summing the count. The cell count is 200.

### *Change at the 4-digit tariff item heading level*

The number of single rules at the 4-digit tariff item level is determined by finding rules that contain the string “from any other heading”. The cell count is derived by using the Excel function: COUNTIF(D50:D3690,"\*\*\*from any other heading"). The cell count is verified by applying the Excel function to each line item and summing the count. The cell count is 608.

### *Change at the 6-digit tariff item subheading level*

The number of single rules at the 6-digit tariff item level is determined by finding rules that contain the string “from any other subheading”. The cell count is derived by using the Excel function: COUNTIF(D50:D3690,"\*\*\*from any other subheading"). The cell count is verified by applying the Excel function to each line item and summing the count. The cell count is 1170.

**The total number of CTC only rules is 1978 (or 200 + 608 + 1170).**

## Regional Value Content only rules

The number of RVC only rules is determined by finding cells where the first rule is an RVC rule. This is determined by locating a tariff item description in Column C which has a corresponding RVC rule in Column D. As an example, for cell 50, the cell count is derived by using the Excel function: COUNTIF(C50,"\*\*") \* COUNTIF(D50,"A regional value content \*\*\*"). Then sum the total count of that rule. The cell count is 2.

## CTC or Regional Value Content rules

The number of rules that provide either a choice of CTC or RVC rule is determined by finding cells in column D where the first rule is a CTC rule and where this rule is followed by an RVC rule in the spreadsheet cell below. As an example for cell 50, the cell count is derived by using the Excel function: COUNTIF(D50,"Change to \*\*\*;

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or")\*COUNTIF(D51,"\*\*\*regional value content\*\*\*"). Then sum the total count of that rule. The cell count is 92.

To this value, add all cell entries that include the RVC test in the first rule of a multiple-choice rule. As an example, for cell 50, the cell count is derived by using the Excel function: COUNTIF(D50,"A change to \*\*\*regional value content\*\*\*; or"). The cell count is 1.

**The total number of CTC or RVC rules is 93 (or 92 + 1).**

### Other rules

The number of other rules is the residual from total rules (2813) of the CTC only rules (1978), RVC only rules (2) and CTC or RVC (93). The total other rules is 740 (or 2813 – 1978 – 2 – 93).

## All CTC rules — right hand panel in figure 5.1

This section counts the incidence of CTC rules whether the rule is either a single CTC rule or a choice of rule (generally between two CTC rules, between CTC or RVC or another rule such as a technical test). Where there is a choice of rule, only the first rule is counted to avoid double counting of rules.

### Change at the 2-digit tariff item chapter level

The total number of rules at the 2-digit tariff item level is determined by finding cells where the first rule includes a 2-digit CTC rule (that is, a change to a tariff item from any other chapter). This is determined by locating a tariff item description in Column C which has a corresponding 2-digit CTC rule in Column D. As an example for cell 50, the cell count is derived by using the Excel function: COUNTIF(C50,"\*\*\*\*") \* COUNTIF(D50,"Change to \*\*\* from any other chapter\*\*\*"). Then sum the total count of that rule. The cell count is 333.

### Change at the 4-digit tariff item heading level

The total number of rules at the 4-digit tariff item level is determined by finding cells where the first rule includes a 4-digit CTC rule (that is, a change to a tariff item from any other heading). This is determined by locating a tariff item description in Column C which has a corresponding 4-digit CTC rule in Column D. As an example for cell 50, the cell count is derived by using the Excel function: COUNTIF(C50,"\*\*\*\*") \* COUNTIF(D50,"Change to \*\*\* from any other heading\*\*\*"). Then sum the total count of that rule. The cell count is 973.



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## Change at the 6-digit tariff item subheading level

The total number of rules at the 6-digit tariff item level is determined by finding cells where the first rule includes a 6-digit CTC rule (that is, a change to a tariff item from any other subheading). This is determined by locating a tariff item description in Column C which has a corresponding 6-digit CTC rule in Column D. As an example for cell 50, the cell count is derived by using the Excel function: `COUNTIF(C50,"****") * COUNTIF(D50,"Change to *** from any other subheading****")`. Then sum the total count of that rule. The cell count is 1486.

**The total number of CTC rules is 2792 (or 333 + 973 + 1486).**

## A.2 The Thailand-Australia agreement

The product-specific rules of origin for the Thailand-Australia agreement which came into force on 1 January 2005 are available at [http://www.dfat.gov.au/fta/tafta/tafta\\_annexes\\_sideletters\\_index.html](http://www.dfat.gov.au/fta/tafta/tafta_annexes_sideletters_index.html).

### Total number of rules - left hand panel in figure 5.1

The total number of cell entries is determined by counting all cells in column D which contain a value. The cell count is derived by using the Excel function: `COUNTIF(D50:D3732,"****")`. The cell count is verified by applying the Excel function to each line item and summing the count. The cell count is 3134.

From this value, subtract all cell entries that have a single rule choice such as CTC or RVC within a cell in order to avoid double counting. Rule choice entries use “; or” to signify rule choice. The cell count is derived by using the Excel function: `COUNTIF(D50:D3732,"****; or****")`. The cell count is verified by applying the Excel function to each line item and summing the count. The cell count is 219.

Further subtract cells that have a single rule entry covering two cells. This is a visual check. The cell count is derived by visual check and verified using a summation of cell calculations using the Excel function `COUNTIF(D49,"*** and") + COUNTIF(D49,"*** and ") + COUNTIF(D50,"(a)****") + COUNTIF(D50,"(b)****")`. The cell count equals 8.

**The total number of rules for the Thailand-Australia agreement is 2907 (or 3134 – 219 – 8).**

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## CTC only rules

### *Change at the 2-digit tariff item chapter level*

The number of single rules at the 2-digit tariff item level is determined by finding rules that contain the string “from any other chapter”. The cell count is derived by using the Excel function: COUNTIF(D50:D3732, “\*\*\* from any other chapter.”). The cell count is verified by applying the Excel function to each line item and summing the count. The cell count is 198.

### *Change at the 4-digit tariff item heading level*

The number of single rules at the 4-digit tariff item level is determined by finding rules that contain the string “from any other heading”. The cell count is derived by using the Excel function: COUNTIF(D50:D3732, “\*\*\* from any other heading.”). The cell count is verified by applying the Excel function to each line item and summing the count. The cell count is 623.

### *Change at the 6-digit tariff item subheading level*

The number of single rules at the 6-digit tariff item level is determined by finding rules that contain the string “from any other subheading”. The cell count is derived by using the Excel function: COUNTIF(D50:D3732, “\*\*\* from any other subheading.”). The cell count is verified by applying the Excel function to each line item and summing the count. The cell count is 1158.

**The total number of individual CTC only rules is 1979 (or 198 + 623 + 1158).**

## Regional Value Content only rules

The number of RVC only rules is determined by finding cells where the first rule is an RVC rule. This is determined by locating a tariff item description in Column C which has a corresponding RVC rule in Column D. As an example, for cell 50, the cell count is derived by using the Excel function: COUNTIF(C50, “\*\*\*”) \* COUNTIF(D50, “A regional value content \*\*\*”). Then sum the total count of that rule. The cell count is 1.

## CTC or Regional Value Content rules

The number of rules that provide either a choice of CTC or RVC rule is determined by finding cells in column D where the first rule is a CTC rule and where this rule is followed by an optional RVC rule in the spreadsheet cell below. As an example for cell 50, the cell count is derived by using the Excel function: (COUNTIF(D50, “A change to \*\*\*; or”) +

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COUNTIF(D50,"Change to \*\*\*; or")) \* COUNTIF(D51,"\*\*\*regional value content\*\*\*"). Then sum the total count of that rule. The cell count is 199.

To this value, deduct all cell entries for which the rule is *conditional* on an RVC test. As an example, for cell 50, the cell count is derived by using the Excel function: (COUNTIF(D50,"A change to \*\*\*; or") + COUNTIF(D50,"Change to \*\*\*; or")) \* COUNTIF(D51,"\*\*\*provided\*\*\*regional value content\*\*\*"). The cell count is 144.

**The total number of CTC or RVC rules is 55 (or 199 - 144).**

### Other rules

The number of other rules is the residual of total rules (2909), CTC only (1979), RVC only rules (1) and CTC or RVC (55). The total other rules is 874 (or 2909 – 1979 – 1 – 55).

## All CTC rules — right hand panel in figure 5.1

This section counts the incidence of CTC rules whether the rule is either a single CTC rule or a choice of rule (generally between two CTC rules, between CTC or RVC or another rule such as a technical test). Where there is a choice of rule, only the first rule is counted to avoid double counting of rules.

### Change at the 2-digit tariff item chapter level

The total number of rules at the 2-digit tariff item level is determined by finding cells where the first rule includes a 2-digit CTC rule (that is, a change to a tariff item from any other chapter). This is determined by locating a tariff item description in Column C which has a corresponding 2-digit CTC rule in Column D. As an example for cell 50, the cell count is derived by using the Excel function: COUNTIF(C50,"\*\*\*\*") \* COUNTIF(D50,"\*\*\* from any other chapter\*\*\*"). Then sum the total count of that rule. The cell count is 378.

### Change at the 4-digit tariff item heading level

The total number of rules at the 4-digit tariff item level is determined by finding cells where the first rule includes a 4-digit CTC rule (that is, a change to a tariff item from any other heading). This is determined by locating a tariff item description in Column C which has a corresponding 4-digit CTC rule in Column D. As an example for cell 50, the cell count is derived by using the Excel function: COUNTIF(C50,"\*\*\*\*") \* COUNTIF(D50,"\*\*\* from any other heading\*\*\*"). Then sum the total count of that rule. The cell count is 1009.

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## Change at the 6-digit tariff item subheading level

The total number of rules at the 6-digit tariff item level is determined by finding cells where the first rule includes a 6-digit CTC rule (that is, a change to a tariff item from any other subheading). This is determined by locating a tariff item description in Column C which has a corresponding 6-digit CTC rule in Column D. As an example for cell 50, the cell count is derived by using the Excel function: COUNTIF(C50,"\*\*\*\*") \* COUNTIF(D50,"\*\*\* from any other subheading\*\*\*\*"). Then sum the total count of that rule. The cell count is 1489.

**The total number of CTC rules is 2876 (or 378 + 1009 + 1489).**

## A.3 The Australia-United States agreement

The product-specific rules of origin for the Australia-United States agreement which came into force on 1 January 2005 are available at <http://www.dfat.gov.au/fta/ausfta/final-text/>.

The nature of this agreement required a different approach to count the different types of rules contained in the rules of origin schedule. Accordingly, each rule has been assigned an acronym which appears in column D. A simple count of the number of each acronym is then performed to collate the data for Figure 5.1. Acronyms have the following concordance:

- CTHC                      A change to heading \*\*\* from any other chapter
- CTSC                     A change to subheading \*\*\* from any other chapter
- CTHH                    A change to heading \*\*\* from any other heading
- CTSH                    A change to subheading \*\*\* from any other heading
- CTSS                    A change to subheading \*\*\* from any other subheading
- CTHCor                 A change to heading \*\*\* from any other chapter; or
- CTSCor                A change to subheading \*\*\* from any other chapter; or
- CTHHor                A change to heading \*\*\* from any other heading; or
- CTSHor                A change to subheading \*\*\* from any other heading; or
- CTSSor                A change to subheading \*\*\* from any other subheading; or
- CTHCorRVC            A change to heading \*\*\* from any other chapter; or RVC
- CTSCorRVC            A change to subheading \*\*\* from any other chapter; or RVC
- CTHHorRVC            A change to heading \*\*\* from any other heading; or RVC
- CTSHorRVC            A change to subheading \*\*\* from any other heading; or RVC
- CTSSorRVC            A change to subheading \*\*\* from any other subheading; or RVC
- RVC                     Regional Value Content

- 
- OTHER                      Other

### **Total number of rules - left hand panel in figure 5.1**

The total number of cell entries is determined by counting all cells in column D which contain a value. The cell count is derived by using the Excel function: COUNTIF(D50:D1777,"\*\*\*"). The cell count is 980.

There is no double counting of rules in this agreement as each rule has a unique identifier assigned to it. Accordingly, there is no requirement to adjust for double counted rules.

**The total number of rules for the Australia-United States agreement is 980.**

### **CTC only rules**

#### *Change at the 2-digit tariff item chapter level*

The number of single rules at the 2-digit tariff item level is determined by finding rules that contain the string "from any other chapter." The cell count is derived by using the Excel function: COUNTIF(D50:D1777,"CTHC") + COUNTIF(D50:D1777,"CTSC"). The cell count is verified by applying the Excel function to each line item and summing the count. The cell count is 170 (or 76 + 94).

#### *Change at the 4-digit tariff item heading level*

The number of single rules at the 4-digit tariff item level is determined by finding rules that contain the string "from any other heading". The cell count is derived by using the Excel function: COUNTIF(D50:D1777,"CTHH") + COUNTIF(D50:D1777,"CTSH"). The cell count is verified by applying the Excel function to each line item and summing the count. The cell count is 299 (or 175 + 124).

#### *Change at the 6-digit tariff item subheading level*

The number of single rules at the 6-digit tariff item level is determined by finding rules that contain the string "from any other subheading." The cell count is derived by using the Excel function: COUNTIF(D50:D1777,"CTSS"). The cell count is 295.

**The total number of individual CTC only rules is 764 (or 170 + 299 + 295).**

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## Regional Value Content only rules

RVC only rules are determined by finding rules that contain RVC. The cell count is derived by using the Excel function: COUNTIF(D50:D1777,"RVC"). The cell count is verified by applying the Excel function to each line item and summing the count. The cell count is 3.

## CTC or Regional Value Content rules

The number of rules that provide either a CTC or RVC rule choice is determined by finding rules that contain CTHCorRVC, CTSCorRVC, CTHHorRVC, CTSHorRVC and CTSSorRVC. The cell count is obtained summing the counts from the Excel functions: COUNTIF(D50:D1777,"CTHCorRVC"), COUNTIF(D50:D1777, "CTSCorRVC"), COUNTIF(D50:D1777,"CTHHorRVC"), COUNTIF(D50:D1777,"CTSHorRVC"), and COUNTIF(D50:D1777,"CTSSorRVC"). The cell count is verified by applying the Excel function to each line item and summing the count. The cell count is 136.

## Other rules

The number of other rules is determined by finding rules that contain Other, CTHCor, CTSCor, CTHHor, CTSHor, CTSSor, CTHCandRVC, CTSCandRVC, CTHHandRVC, CTSHandRVC, CTSSandRVC. The cell count is obtained summing the counts from the Excel functions: COUNTIF(D50:D1777,"Other"), COUNTIF(D50:D1777,"CTHCor"), COUNTIF(D50:D1777,"CTSCor"), COUNTIF(D50:D1777,"CTHHor"), COUNTIF(D50:D1777,"CTSHor"), COUNTIF(D50:D1777,"CTSSor"), COUNTIF(D50:D1777,"CTHCandRVC"), COUNTIF(D50:D1777,"CTSCandRVC"), COUNTIF(D50:D1777,"CTHHandRVC"), COUNTIF(D50:D1777,"CTSHandRVC") and COUNTIF(D50:D1777,"CTSSandRVC"). The cell count is verified by applying the Excel function to each line item and summing the count. The cell count is 77.

## All CTC rules — right hand panel in figure 5.1

### Change at the 2-digit tariff item chapter level

The total number of rules at the 2-digit tariff item level is determined by counting rules that contain CTHC, CTSC, CTHCor, CTSCor, CTHCorRVC, CTSCorRVC, CTHCandRVC, CTSCandRVC. The cell count is obtained summing the counts from the Excel functions: COUNTIF(D50:D1777,"CTHC") + COUNTIF(D50:D1777,"CTSC") + COUNTIF(D50:D1777,"CTHCor") + COUNTIF(D50:D1777,"CTSCor") + COUNTIF(D50:D1777,"CTHCorRVC") + COUNTIF(D50:D1777,"CTSCorRVC") + COUNTIF(D50:D1777,"CTHCandRVC") + COUNTIF(D50:D1777,"CTSCandRVC").

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The cell count is verified by applying the Excel function to each line item and summing the count. The cell count is 229.

#### Change at the 4-digit tariff item heading level

The total number of rules at the 4-digit tariff item level is determined by finding rules that contain CTHH, CTSH, CTHHor, CTSHor, CTHHorRVC, CTSHorRVC, CTHHandRVC and CTSHandRVC. The cell count is obtained summing the counts from the Excel functions: COUNTIF(D50:D1777,"CTHH"), COUNTIF(D50:D1777,"CTSH"), COUNTIF(D50:D1777,"CTHHor"), COUNTIF(D50:D1777,"CTSHor"), COUNTIF(D50:D1777,"CTHHorRVC"), COUNTIF(D50:D1777,"CTSHorRVC"), COUNTIF(D50:D1777,"CTHHandRVC") and COUNTIF(D50:D1777,"CTSHandRVC"). The cell count is verified by applying the Excel function to each line item and summing the count. The cell count is 415.

#### Change at the 6-digit tariff item subheading level

The total number of rules at the 6-digit tariff item level is determined by finding rules that contain CTSS, CTSSor, CTSSorRVC and CTSSandRVC. The cell count is obtained summing the counts from the Excel functions: COUNTIF(D50:D1777,"CTSS"), COUNTIF(D50:D1777,"CTSSor"), COUNTIF(D50:D1777,"CTSSorRVC") and COUNTIF(D50:D1777,"CTSSandRVC"). The cell count is verified by applying the Excel function to each line item and summing the count. The cell count is 332.

**The total number of CTC rules is 976 (or 229 + 415 + 332).**

## A.4 The Chile-Australia agreement

The product-specific rules of origin for the Chile-Australia agreement which came into force on 6 March 2009 are available at <http://www.dfat.gov.au/fta/aclfta/>.

#### Total number of rules - left hand panel in figure 5.1

The total number of cell entries is determined by counting all cells in column D which contain a value. The cell count is derived by using the Excel function: COUNTIF(D50:D4029,"\*\*\*"). The cell count is 3029.

From this value subtract all cell entries that have a rule choice such as CTC or RVC in order to eliminate double counting. Rule choice entries use "or" to signify an alternative rule option. The cell count is derived by using the Excel function: COUNTIF(D50:D4029,"\*\*\*; or\*\*\*"). The cell count is 226.

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Further subtract cells that have a single rule entry covering two cells. The cell count is derived by using the Excel function: COUNTIF(D50:D4029,"\*\*\*and". The cell count is 0.

The cell counts are verified by applying the Excel functions to each line item and summing the counts.

**The total number of rules in the Chile-Australia agreement is 2803 (or 3029 – 226 – 0).**

## CTC only rules

### *Change at the 2-digit tariff item chapter level*

The number of single rules at the 2-digit tariff item level is determined by finding rules that contain the string “from any other chapter”. The cell count is derived by using the Excel function: COUNTIF(D50:D4029,“\*\*\* from any other chapter.”). The cell count is verified by applying the Excel function to each line item and summing the count. The cell count is 364.

### *Change at the 4-digit tariff item heading level*

The number of single rules at the 4-digit tariff item level is determined by finding rules that contain the string “from any other heading”. The cell count is derived by using the Excel function: COUNTIF(D50:D4029,“\*\*\* from any other heading.”). The cell count is verified by applying the Excel function to each line item and summing the count. The cell count is 732.

### *Change at the 6-digit tariff item subheading level*

The number of single rules at the 6-digit tariff item level is determined by finding rules that contain the string “from any other subheading”. The cell count is derived by using the Excel function: COUNTIF(D50:D4029,“\*\*\* from any other subheading.”). The cell count is 1177. From this value subtract all cell entries that have a rule choice between two CTC options in order to avoid double counting. This is a visual check. The double counted cell count is 13. The cell count is verified by applying an Excel function which avoids double counting to each line item and summing the count. As an example for cell 50, the cell count is derived by using the Excel function: (COUNTIF(B50,“\*\*\*\*”) + COUNTIF(C50,“\*\*\*\*”)) \* COUNTIF(D50,“\*\*\*from any other subheading.”). This function requires the cell to be labelled with an item name. The cell count is 1164 (or 1177 – 13).

**The total number of individual CTC only rules is 2260 (or 364 + 732 + 1164).**



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## Regional Value Content only rules

The number of rules that provide an RVC rule is determined by finding rules that contain the string “A regional value content...%.”. The cell count is derived by using the Excel function: COUNTIF(D50:D4029,"A regional value content \*\*\*%."). The cell count is verified by applying the Excel function to each line item and summing the count and undertaking a visual check. The cell count is 0.

## CTC or Regional Value Content rules

The number of rules that provide an CTC or RVC rule is determined by finding rules that contain the string “A regional value content \*\*\* classification”. The cell count is derived by using the Excel function: COUNTIF(D50:D4029,"A regional value content \*\*\* classification"). The cell count is verified by applying the Excel function to each line item and summing the count. The cell count is 187.

## Other rules

The number of other rules is the residual of total rules (2803), CTC only (2260), RVC only rules (0) and CTC or RVC (187). The total other rules is 356 (or  $2803 - 2260 - 0 - 187$ ).

## All CTC rules — right hand panel in figure 5.1

This section counts the incidence of CTC rules whether the rule is either a single CTC rule or a choice of rule (generally between two CTC rules, between CTC or RVC or another rule such as a technical test). Where there is a choice of rule, only the first rule is counted to avoid double counting of rules.

## Change at the 2-digit tariff item chapter level

The total number of rules at the 2-digit tariff item level is determined by finding cells where the first rule includes a 2-digit CTC rule (that is, a change to a tariff item from any other chapter). This is determined by locating a tariff item description in Column C which has a corresponding 2-digit CTC rule in Column D. As an example for cell 50, the cell count is derived by using the Excel function: COUNTIF(C50,"\*\*\*\*") \* COUNTIF(D50,"A change to \*\*\* from any other chapter\*\*\*\*"). Then sum the total count of that rule. The cell count is 411.

## Change at the 4-digit tariff item heading level

The total number of rules at the 4-digit tariff item level is determined by finding cells where the first rule includes a 4-digit CTC rule (that is, a change to a tariff item from any

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other heading). This is determined by locating a tariff item description in Column C which has a corresponding 4-digit CTC rule in Column D. As an example for cell 50, the cell count is derived by using the Excel function: COUNTIF(C50,"\*\*\*\*") \* COUNTIF(D50,"A change to \*\*\* from any other heading\*\*\*\*"). Then sum the total count of that rule. The cell count is 907.

### Change at the 6-digit tariff item subheading level

The total number of rules at the 6-digit tariff item level is determined by finding cells where the first rule includes a 6-digit CTC rule (that is, a change to a tariff item from any other subheading). This is determined by locating a tariff item description in Column C which has a corresponding 6-digit CTC rule in Column D. As an example for cell 50, the cell count is derived by using the Excel function: COUNTIF(C50,"\*\*\*\*") \* COUNTIF(D50,"A change to \*\*\* from any other subheading\*\*\*\*"). Then sum the total count of that rule. The cell count is 1480.

**The total number of CTC rules is 2798 (or 411 + 907 + 1480).**

## A.5 The ASEAN-Australia-New Zealand agreement

The product-specific rules of origin for the ASEAN-Australia-New Zealand agreement which came into force on 1 January 2010 are available at [http://www.dfat.gov.au/fta/aanzfta/annexes/annex2\\_psr.html](http://www.dfat.gov.au/fta/aanzfta/annexes/annex2_psr.html).<sup>2</sup>

For this agreement, each rule has been assigned its own unique identifier/acronym as appears in column D of the ASEAN Excel spreadsheet. Where there is a choice of rule (for example, between CTH and CTSH), only the first rule is counted to avoid double counting of rules. A simple count of the number of each acronym is then performed to collate the data for Figure 5.1. Acronyms have the following concordance:

- WO Wholly obtained
- CC Tariff change at the 2-digit tariff item level
- CTH Tariff change at 4-digit tariff item level
- CTSH Tariff change at 6-digit tariff item level
- RVC Regional Value Content

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<sup>2</sup> On 26 August 2014, Ministers from each party to the agreement signed a First Protocol to amend AANZFTA to reduce the information requirements imposed on business when completing certificates of origin, simplify the presentation of the Agreement's Rules of Origin, and provide for the use of HS 2012 nomenclature.

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## **Total number of rules - left hand panel in figure 5.1**

The total number of cell entries is determined by counting all cells in column D which contain a value. The cell count is derived by using the Excel function: COUNTIF(D50:D3833,"\*\*\*"). The cell count is 3102.

**The total number of rules in the ASEAN-Australia-New Zealand agreement is 3102.**

### **CTC only rules**

#### *Change at the 2-digit tariff item chapter level*

The number of single rules at the 2-digit tariff item level is determined by finding rules that contain the exact string "CC". The cell count is derived by using the Excel function: COUNTIF(D50:D3833,"CC"). The cell count is 239.

#### *Change at the 4-digit tariff item heading level*

The number of single rules at the 4-digit tariff item level is determined by finding rules that contain the exact string "CTH". The cell count is derived by using the Excel function: COUNTIF(D50:D3833,"CTH"). The cell count is 107.

#### *Change at the 6-digit tariff item subheading level*

The number of single rules at the 6-digit tariff item level is determined by finding rules that contain the exact string "CTSH". The cell count is derived by using the Excel function: COUNTIF(D50:D3833,"CTSH"). The cell count is 0. The cell counts are verified by applying the Excel functions to each line item and summing the counts.

**The total number of individual CTC only rules is 346 (or  $239 + 107 + 0$ ).**

### **Regional Value Content only rules**

The number of rules that are RVC only rules is determined by finding rules that contain the exact string "RVC (\*\*\*)". The cell count is derived by using the Excel function: COUNTIF(D50:D3833,"RVC(\*\*\*)"). The cell count is verified by applying the Excel function to each line item and summing the count. The cell count is 67.

### **CTC or Regional Value Content rules**

The number of rules that provide choice of CTC or RVC rule are determined by finding rules that contain the string "RVC\*\*\*or\*\*\*". The cell count is derived by using the Excel

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function: COUNTIF(D50:D3833,"RVC\*\*\*or\*\*\*"). The cell count is verified by applying the Excel function to each line item and summing the count. The cell count is 2231.

### Other rules

The number of other rules is the residual of total rules (3102), CTC only (346), RVC only rules (67) and CTC or RVC (2231). The total other rules is 458 (or  $3102 - 346 - 67 - 2231$ ).

## All CTC rules — right hand panel in figure 5.1

This section counts the incidence of CTC rules whether the rule is either a single CTC rule or a choice of rule (generally between two CTC rules, between CTC or RVC or another rule such as a technical test). Where there is a choice of rule, only the first rule is counted to avoid double counting of rules.

### Change at the 2-digit tariff item chapter level

The total number of rules at the 2-digit tariff item level is determined by finding cells where the first rule includes a 2-digit CTC rule (that is, a change to a tariff item from any other chapter). This is determined by locating a 2-digit CTC rule in Column D. As an example for cell 50, the cell count is derived by using the Excel function: COUNTIF(D50,"\*\*\*CC\*\*\*"). Then sum the total count of that rule. The cell count is 1107.

### Change at the 4-digit tariff item heading level

The total number of rules at the 4-digit tariff item level is determined by finding cells where the first rule includes a 4-digit CTC rule (that is, a change to a tariff item from any other heading). This is determined by locating a 4-digit CTC rule in Column D. As an example for cell 50, the cell count is derived by using the Excel function: COUNTIF(D50,"\*\*\*CTH\*\*\*"). Then sum the total count of that rule. The cell count is 589.

### Change at the 6-digit tariff item subheading level

The total number of rules at the 6-digit tariff item level is determined by finding cells where the first rule includes a 6-digit CTC rule (that is, a change to a tariff item from any other subheading). Rules which have a combination RVC and 6-digit CTC as a second test are excluded. This is determined by locating a 6-digit CTC rule in Column D (eliminating second tests including a 6-digit test). As an example for cell 50, the cell count is derived by

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using the Excel function: COUNTIF(D50,"\*\*\*CTSH\*\*\*") - COUNTIF(D50,"RVC(\*\*) or CTH or RVC(\*\*) + CTSH"). Then sum the total count of that rule. The cell count is 1035.

**The total number of CTC rules is 2731 (or 1107 + 589 + 1035).**

## **A.6 The Malaysia-Australia agreement**

The product-specific rules of origin for the Malaysia-Australia agreement which came into force on 1 January 2013 are available at <http://www.dfat.gov.au/fta/mafta/html/mafta-annex-2-product-specific-rules-headnote.html>.

### **Total number of rules - left hand panel in figure 5.1**

The total number of cell entries is determined by counting all cells in column D which contain a value. The cell count is derived by using the Excel function: COUNTIF(D50:D8467,"\*\*\*"). The cell count is 7545.

From this value subtract all cell entries that have a single rule choice such as CTC or RVC in order to eliminate double counting. Rule choice entries use “either” to signify an alternative rule option. The cell count is derived by using the Excel function: COUNTIF(D50:D8467,"\*\*\*either\*\*\*"). The cell count is 2366. This number is multiplied by 2 because in the downloaded text for this agreement there are three cells for each tariff item where there is a single rule choice. Total cell count to be deducted is 4732.

From this value subtract all cell entries that have a multiple rule choice in order to eliminate double counting. Rule choice entries use “(i)” to signify a multiple rule option. The cell count is derived by using the Excel function: COUNTIF(D50:D8467,"\*\*\* (i)\*\*\*"). The cell count is 68. This number is multiplied by 2 because in the downloaded text for this agreement there are five cells for each tariff item where there is a multiple rule choice but two of those cells have already been accounted for above. Total cell count to be deducted is 136.

The cell counts are verified by applying the Excel functions to each line item and summing the counts.

**The total number of rules in the Malaysia-Australia agreement 2677 (or 7545 – 4732 – 136).**

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## CTC only rules

### *Change at the 2-digit tariff item chapter level*

The number of single rules at the 2-digit tariff item level is determined by finding rules that contain the string “from any other chapter”. The cell count is derived by using the Excel function: COUNTIF(D50:D8467, “\*\*\* from any other chapter”). The cell count is 173.

### *Change at the 4-digit tariff item heading level*

The number of single rules at the 4-digit tariff item level is determined by finding rules that contain the string “from any other heading”. The cell count is derived by using the Excel function: COUNTIF(D50:D8467, “\*\*\* from any other heading”). The cell count is 85.

### *Change at the 6-digit tariff item subheading level*

The number of single rules at the 6-digit tariff item level is determined by finding rules that contain the string “from any other subheading”. The cell count is derived by using the Excel function: COUNTIF(D50:D8467, “\*\*\* from any other subheading”). The cell count is 24. The cell counts are verified by applying the Excel functions to each line item and summing the counts.

**The total number of individual CTC only rules is 282 (or 173 + 85 + 24).**

## Regional Value Content only rules

The number of rules are RVC only rules is determined by finding rules that contain the string “regional value content” and undertaking a visual check to assess whether a CTC or other alternative is provided. The visual check shows none of the matched rules was a RVC only rule. The cell count is verified by applying an Excel function to each line item and summing the count. As an example for cell 50, the cell count is derived by using the Excel function: COUNTIF(C50, “\*\*\*\*”) \* COUNTIF(D50, “A regional value content \*\*\*\*”). The cell count is 0.

## CTC or Regional Value Content rules

The number of rules that provide either a choice of CTC or RVC rule is determined by finding rules that contain the string “regional value content”. The cell count is derived by using the Excel function: COUNTIF(D50:D8467, “\*\*\*regional value content\*\*\*”). The cell count is verified by applying the Excel function to each line item and summing the count. The cell count is 2303.

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## Other rules

The number of other rules is the residual of total rules (2677), CTC only (282), RVC only rules (0) and CTC or RVC (2303). The total other rules is 92 (or  $2677 - 282 - 0 - 2303$ ).

## All CTC rules — right hand panel in figure 5.1

This section counts the incidence of CTC rules whether the rule is either a single CTC rule or a choice of rule (generally between two CTC rules, between CTC or RVC or another rule such as a technical test). Where there is a choice of rule, only the first rule is counted to avoid double counting of rules.

### Change at the 2-digit tariff item chapter level

The total number of rules at the 2-digit tariff item level is determined by finding cells where the first rule includes a 2-digit CTC rule (that is, a change to a tariff item from any other chapter). This is determined by locating a 2-digit CTC rule in Column D. As an example for cell 50, the cell count is derived by using the Excel function: `COUNTIF(D50,"***any other chapter***")`. Then sum the total count of that rule. The cell count is 381.

### Change at the 4-digit tariff item heading level

The total number of rules at the 4-digit tariff item level is determined by finding cells where the first rule includes a 4-digit CTC rule (that is, a change to a tariff item from any other heading). This is determined by locating a 4-digit CTC rule in Column D. As an example for cell 50, the cell count is derived by using the Excel function: `COUNTIF(D50,"***any other heading***")`. Then sum the total count of that rule. The cell count is 900.

### Change at the 6-digit tariff item subheading level

The total number of rules at the 6-digit tariff item level is determined by finding cells where the first rule includes a 6-digit CTC rule (that is, a change to a tariff item from any other subheading). Rules which have a combination RVC and 6-digit CTC as a second test are excluded. This is determined by locating a 6-digit CTC rule in Column D (and eliminating second tests indicated by (i) including a CTC 4-digit test). As an example for cell 50, the cell count is derived by using the Excel function: `COUNTIF(D50,"***any other subheading***") - COUNTIF(D49,"(i)***any other heading***")`. Then sum the total count of that rule. The cell count is 1377.

**The total number of CTC rules is 2658 (or  $381 + 900 + 1377$ ).**

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## A.7 The Korea-Australia agreement

The product-specific rules of origin for the Korea-Australia agreement signed on 8 April 2014 and expected to come into force at the end of 2014 are available at <http://www.dfat.gov.au/fta/kafta/html/kafta-schedule-product-specific-rules.html>.

For this agreement, each rule has been assigned its own unique identifier/acronym as appears in column D of the Korea Excel spreadsheet. Where there is a choice of rule, only the first rule is counted to avoid double counting of rules. A simple count of the number of each acronym is then performed to collate the data for Figure 5.1. Acronyms have the following concordance:

- WO Wholly obtained
- CC Tariff change at 2-digit chapter level
- CTH Tariff change at 4-digit heading level
- CTSH Tariff change at 6-digit subheading level
- RVC Regional Value Content

### Total number of rules - left hand panel in figure 5.1

The total number of cell entries is determined by counting all cells in column D which contain a value. The cell count is derived by using the Excel function: COUNTIF(D47:D7363,"\*\*") - COUNTIF(D47:D7363," "). The second term avoids the counting of non-empty cells in the text. The cell count is verified by applying the Excel function to each line item and summing the count. The cell count is 5205.

**The total number of rules for the Korea-Australia agreement is 5205.**

#### CTC only rules

##### *Change at the 2-digit tariff item chapter level*

The number of single rules at the 2-digit tariff item level is determined by finding rules that contain the exact string "CC". The cell count is derived by using the Excel function: COUNTIF(D50:D7363,"CC"). The cell count is 714.

##### *Change at the 4-digit tariff item heading level*

The number of single rules at 4-digit tariff item level is determined by finding rules that contain the exact string "CTH". The cell count is derived by using the Excel function: COUNTIF(D50:D7363,,"CTH"). The cell count is 1669.



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### *Change at the 6-digit tariff item subheading level*

The number of single rules at the 6-digit tariff item level is determined by finding rules that contain the exact string “CTSH”. The cell count is derived by using the Excel function: COUNTIF(D50:D7363,“CTSH”). The cell count is 706. The cell counts are verified by applying the Excel functions to each line item and summing the counts.

**The total number of individual CTC only rules is 3089 (or 714 + 1669 + 706)**

### Regional Value Content only rules

RVC only rules are determined by finding rules that contain the exact string “RVC (\*\*\*)”. The cell count is derived by using the Excel function: COUNTIF(D50:D7363,“RVC(\*\*\*)”) matching entire cell contents. The cell count is 8.

### CTC or Regional Value Content rules

The number of rules that provide either a choice of CTC or RVC rule is determined by finding rules that contain the string “\*\*\*RVC\*\*\*” and deducting cells that have a CTC and RVC rule. The cell count is derived by using the Excel functions: COUNTIF(D50:D7363,“\*\*\*RVC\*\*\*”) – COUNTIF(D50:D7363,“C\*\*\* and RVC(\*\*\*)”) – COUNTIF(D50:D7363,“RVC(\*\*\*)”). The cell count is verified by applying the Excel function to each line item and summing the count. The total number of CTC or RVC rules is 1142 (or 1178 – 28 – 8).

### Other rules

The number of other rules is the residual of total rules (5205), CTC only (3089), RVC only rules (8) and CTC or RVC (1142). The total other rules is 966 (or 5205 – 3089 – 8 – 1142).

## **All CTC rules — right hand panel in figure 5.1**

### Change at the 2-digit tariff item chapter level

The total number of rules at the 2-digit tariff item level is determined by finding rules that contain the string “\*\*\*CC\*\*\*”. The cell count is derived by using the Excel function: COUNTIF(D50:D7363,“\*\*\*CC\*\*\*”). The cell count is verified by applying the Excel function to each line item and summing the count. The cell count is 936.

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### Change at the 4-digit tariff item heading level

The total number of rules at the 4-digit tariff item level is determined by finding rules that contain the string “\*\*\*CTH\*\*\*”. The cell count is derived by using the Excel function: COUNTIF((D50:D7363,“\*\*\*CTH\*\*\*”). The cell count is verified by applying the Excel function to each line item and summing the count. The cell count is 2739.

### Change at the 6-digit tariff item subheading level

The total number of rules at the 6-digit tariff item level is determined by finding rules that contain the string “\*\*\*CTSH\*\*\*”. The cell count is derived by using the Excel function: COUNTIF((D50:D7363,“\*\*\*CTSH\*\*\*”). The cell count is 1147.

In order to avoid double counting, cells that have a rule choice between a CTH and CTSH option should be deducted. A visual check indicated the cell count is 0. The cell counts are verified by applying an Excel function to each line item and summing the count. The total number of rules at the 6-digit tariff item level is 1147.

**The total number of CTC rules is 4822 (or 936 + 2739 + 1147).**



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