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

# Trade & Assistance Review 2013-14

## 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
ASEAN	Association of Southeast Asian Nations
ANZSIC	Australia and New Zealand Standard Industrial Classification
ATO	Australian Taxation Office
DA	Department of Agriculture
DD	Department of Defence
DFAT	Department of Foreign Affairs and Trade
DIRD	Department of Industry, Innovation and Regional Development
DIS	Department of Industry and Science
DMTC	Defence Materials Technology Centre
EFIC	Export Finance Insurance Corporation
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 leading to improvements in 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 2013-14*. These changes comprise:

- programs added to the estimates for 2013-14 (chapter 2);
- programs for which funding ceased in 2013-14 (chapter 3); and
- methodological changes to the assistance estimates for the Small Business simplified depreciation rules, the Export Finance Insurance Corporation's national interest business, the income tax averaging provision for primary producers, and the R&D Tax Incentive (chapter 4).

This annex also details the methodology used to summarise the 'rules of origin' for the Japan–Australia trade agreement, as reported in the *Trade & Assistance Review 2013-14* (chapter 4).

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. The Methodological Annex to the *Trade & Assistance Review 2011-12*, *Estimation Framework, Coverage and Re-benchmarking of Estimates*, contains a comprehensive benchmark listing of budgetary items included in assistance estimates. Updates to that list are notified in each subsequent annex.

**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
October 2014	Changes to the Commission's Assistance Estimates	Methodological Annex: Trade & Assistance Review 2012-13

*Source:* [www.pc.gov.au/research/ongoing/trade-assistance](http://www.pc.gov.au/research/ongoing/trade-assistance).

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

## 2 Programs added to the assistance estimates in 2013-14

This chapter describes Australian Government budgetary programs, including both new and existing programs, added to the assistance estimates for *Trade & Assistance Review 2013-14*. Table 2.1 lists these measures.

**Table 2.1 Budgetary measures added to the assistance estimates for Trade & Assistance Review 2013-14**

<i>Program</i>	<i>Form<sup>a</sup></i>	<i>Industry allocation</i>	<i>Assistance value 2013-14</i>
			<i>\$m</i>
Tasmanian Jobs and Growth Package	BO	Unallocated manufacturing	5.1
Melbourne's North Innovation and Investment Fund	BO	Unallocated manufacturing	18.8
Diamond Energy Assistance	BO	Electricity, gas, water and waste services	0.3
Drought Assistance Package – concessional loans administration	BO	Unallocated primary production	2.0
Farm Finance – concessional loans administration	BO	Unallocated primary production	9.8
Beef Australia 2015	BO	Sheep, beef cattle and grain farming	2.5
Asian Business Engagement Plan	BO	Unallocated other	1.8
Skilling Australian Defence Industry <sup>b</sup>	BO	Unallocated manufacturing	12.2
Industry Skilling Program Enhancement <sup>b</sup>	BO	Unallocated manufacturing	0.2
New Aircraft Combat Capability <sup>b</sup>	BO	Unallocated manufacturing	1.9
Priority Industry Capability Innovation Program <sup>b</sup>	BO	Unallocated manufacturing	0.0
Defence Materials Technology Centre <sup>b</sup>	BO	Unallocated manufacturing	6.8

<sup>a</sup> BO: budgetary outlay. TE: tax expenditure. <sup>b</sup> Funding in earlier years (of similar magnitude) has also been added to the assistance estimates (not shown).

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



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## Tasmanian Jobs and Growth Package

In October 2013, the Australian Government announced the Tasmanian Jobs and Growth Package. The package complements the Economic Growth Plan for Tasmania. It comprises a package of measures totalling \$106 million aimed at stimulating Tasmania's economy by supporting growth and employment (Truss 2013). The package supersedes the previous Government's Tasmanian Jobs and Growth Plan announced in July 2013 (King and Rudd 2013) and has its origins in the Tasmanian Forests Intergovernmental Agreement 2013.

A number of projects funded under the package provide direct assistance to businesses, while other elements of the package are directed at community activities. Business recipients include Ta Ann Tasmania Pty Ltd for a plywood mill, SFM Forest Products for its 'hydrowood' project, Caterpillar Elphinstone Pty Ltd for advanced manufacturing development, Tassal Group Limited for a fish protein and oil facility and Huon Aquaculture Group Pty Ltd for a processing facility.

The value of Australian Government administered expenses for 2013-14 was \$5.1 million (DIRD 2014, p. 145).<sup>1</sup>

The program is assessed as initially benefiting firms predominantly 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.

## Melbourne's North Innovation and Investment Fund

The Melbourne's North Innovation and Investment Fund was established to give effect to an announcement by the then Australian Government and the Victorian Government on 23 May 2013 that they would provide funding support to regions affected by Ford Motor Company of Australia's cessation of vehicle and engine manufacturing operations in Australia, which the company announced will occur by October 2016.

Funding over the three financial years from 2013-14 to 2015-16 will be provided to the Melbourne North region and the Geelong region (funding to the latter will be through the Geelong Region Innovation and Investment Fund which was established in 2007 (PC 2008)). The Australian Government will contribute \$30 million to the two funds; the Victorian Government \$9 million; and Ford Motor Company of Australia \$10 million. The total funding of \$49 million is to be split evenly between the two funds. The Melbourne's North Innovation and Investment Fund will provide grants of a minimum of \$50 000 that

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<sup>1</sup> The Commission's assistance estimates cover only those measures that selectively benefit particular firms, industries or activities, and that can be quantified given practical constraints in measurement and data availability. Arrangements that may have assistance implications but are not currently part of the estimates include State and Territory government support to industry, although state-based agricultural marketing arrangements were included in earlier Commission assistance estimates.

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are intended to support ‘innovative, job creation projects that strengthen and diversify the Melbourne North regional economy and employment base’ (AusIndustry 2013).

The value of Australian Government administered expenses for 2013-14 was \$18.8 million (DIS 2015).

The program is assessed as initially benefiting firms predominantly 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.

### **Diamond Energy Assistance**

The Australian Government will provide \$0.9 million over three years from 2012-13 to support Diamond Energy, a small-scale clean energy and electricity retailer, to transition to a new business model following the closure of the New South Wales Government's Greenhouse Gas Abatement Scheme (GGAS). GGAS accreditation had enabled Diamond Energy to enter into commercial arrangements to finance the conversion of biogas into energy. The cost of this measure will be offset from a reduction in funding for the Carbon Farming Skills (Australian Government 2013).

The value of Australian Government administered expenses for 2013-14 was \$0.3 million (DIS, pers. comm., December 2014).

The program is assessed as initially benefiting Diamond Energy, a small-scale clean energy and electricity retailer, and has been allocated to the *Electricity, gas, water and waste services* industry grouping.

### **Drought Assistance Package – concessional loans – administration**

In May 2013, the Australian and State and Territory governments signed an Intergovernmental Agreement on National Drought Program Reform (IGA). The IGA followed the national review of drought policy (which commenced in 2008 and included the Productivity Commission's inquiry into Government Drought Support (PC 2009)) and a subsequent two-year pilot of measures conducted in regions of Western Australia that sought to test a new approach to drought assistance.

In November 2013, the Australian Government announced up to \$7 million in support for Queensland and up to \$3 million for New South Wales to assist farm businesses in those states with the installation of water-related infrastructure to supply animals with emergency water during drought (Joyce 2013a, 2014b).

In addition to this initial assistance to Queensland and New South Wales, in February 2014, the Australian Government announced a \$320 million drought assistance package.

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The main components of the package are: bringing forward ‘more generous’ criteria for accessing income support from 1 July 2014 to 1 March 2014 (through the Interim Farm Household Allowance); drought concessional loans intended to assist farm businesses to recover from the effects of drought (\$280 million); additional funds for existing state emergency water infrastructure schemes (\$12 million); additional funds for pest management in drought-affected areas (\$10 million); and increased social and mental health services in communities affected by drought (\$10.7 million) (Joyce 2014c).

For *Trade & Assistance Review 2013-14*, the Commission has included the administrative component of the Drought Concessional Loans scheme, a sub-part of the Drought Assistance Package. Social and medical health services which benefit individuals are not included in assistance estimates. The value of Australian Government administered expenses for 2013-14 was \$2 million (DA 2014, p. 138).

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.<sup>2</sup>

## **Farm Finance – concessional loans – administration**

In November 2013, the Australian Government announced the reallocation of scheme funds following a review of the Farm Finance Concessional Loans Scheme (Joyce 2013a). Under the previous allocation, funds for concessional loans had been allocated equally between the states and the Northern Territory. The new allocation increased the availability of loans in jurisdictions with a higher number of farm businesses and where farm businesses are faced with worsening conditions. Under the new allocation, a \$40 million reserve fund was established in 2014-15 to enable the Australian Government to respond to emerging issues (Joyce 2013b).

For *Trade & Assistance Review 2013-14*, the Commission has included the administrative component of the Farm Finance Concessional Loans scheme. The value of Australian Government administered expenses for 2013-14 was \$9.75 million (DA 2014, p. 139).

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.<sup>1</sup>

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<sup>2</sup> For *Trade & Assistance Review 2013-14* only the administered component of the Drought Assistance Package (concessional loans) and Farm Finance (concessional loans) schemes was included in the assistance estimates. As noted, the schemes also provide industry assistance through concessional loans that enable primary producers to borrow at lower, or concessional, interest rates than would be the case if producers were required to source funds at commercial rates. It is intended to re-visit the assistance implications of these concessional loans schemes for *Trade & Assistance Review 2014-15*.

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## Beef Australia 2015

In April 2014, the Australian Government announced it would provide \$2.5 million towards the staging of Beef Australia 2015 (Rockhampton). Beef Australia 2015 is one of Australia's premier cattle industry promotion events intended to showcase the Australian cattle industry to the world and to benefit producers, processors and consumers through educating, raising awareness and showcasing technology (Joyce 2014).

The value of Australian Government administered expenses for 2013-14 was \$2.5 million (DA 2014, p. 137).

The program is assessed as initially benefiting businesses engaged in beef cattle farming activities and has been allocated to the *Sheep, beef cattle and grain farming* industry grouping.

## Asian Business Engagement Plan

The Asian Business Engagement Plan is an annual, merit-based, competitive grants program administered by Austrade. The program is intended to assist member-based business organisations and through them, small and medium-sized enterprises, to harness the opportunities emerging in the Asian region (Austrade 2014).

The key goals of the Asian Business Engagement Plan are to leverage or expand the capability of member-based business groups to:

- assist Australian firms to more effectively access in-market business networks and develop new relationships with potential business contacts and partners in Asian countries
- identify and secure more opportunities for Australian firms to compete and succeed in regional value chains
- enhance and strengthen business links between Australia and Asia
- influence corporate Australia to initiate closer engagement with Asia
- reinforce and further raise the profile of Australian business capability in the region
- increase awareness and understanding of Australia in Asia, and of Asia in Australia.

The plan funds up to half of the total cost of an eligible project, with the remaining 50 per cent provided by the applicant. Two streams of funding are available:

- Stream A — for one-year projects ranging in cost from \$20 000 to \$100 000
- Stream B — for projects of one to three years' duration, ranging in cost from \$100 000 to \$300 000.

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The value of Australian Government administered expenses for 2013-14 was \$1.8 million (Austrade 2014, p. 3).

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.

## **Skilling Australian Defence Industry**

The Skilling Australian Defences Industry (SADI) Program is part of the Australian Government's expenditure of more than \$215 million over 10 years to increase the skills base of the defence industry, create pathways into the sector and address the skills capability gap (DD 2015a).

The SADI program is a grants based program with three main aims:

- up-skill existing employees in the defence industry;
- improve the quality and quantity of skills training in the defence industry; and
- provide funding support to the defence industry for training activities where there is an identified skills shortage in technical, trade and professional skill sets.

Since its inception, around 200 Australian defence companies and organisations have been provided with funding support for training or skilling activities in areas of trade, technical and professional capabilities.

The value of Australian Government administered expenses for 2013-14 was \$12.2 million (DA 2015b).

The program is assessed as initially benefiting firms predominantly 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.

## **Industry Skilling Program Enhancement**

The Industry Skilling Program Enhancement (ISPE) consists of a series of measures that aim to expand the pool of skilled workers from which the defence industry can recruit, enhance work and career pathways and address specific skills gaps in defence industry capability. Unlike the Skilling Australian Defences Industry program above (a grants based program), the ISPE provides funding through formal partnerships with industry and other agencies. Since the beginning of the program, Australian Government funding has amounted to \$60.8 million (DD 2015c).

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The value of Australian Government administered expenses for 2013-14 was \$0.2 million (DD 2015d).

The program is assessed as initially benefiting firms predominantly 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.

### **New Aircraft Combat Capability**

The New Aircraft Combat Capability – Industry Support Program (NACC–ISP) is aimed at assisting defence industry businesses to improve their capability, competitiveness and capacity for innovation with regard to the Joint Strike Fighter (JSF) project. The NACC–ISP will provide assistance to businesses looking to enter export markets, secure domestic contracts and will provide an avenue to up-skill staff (DD 2015e).

The value of Australian Government administered expenses for 2013-14 was \$1.9 million (DD 2015f).

The program is assessed as initially benefiting firms predominantly 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.

### **Priority Industry Capability Innovation Program**

The Defence White Paper 2009, *Defending Australia in the Asia Pacific Century*, outlined the Government's commitment to ensure that certain strategically important industry capabilities continue to be available from within Australia. Under this policy, the Government will identify Priority Industry Capabilities (PIC). PICs are defined as those capabilities that confer an essential strategic advantage by being available from within Australia and which, if not available, would significantly undermine defence self-reliance and Australian Defence Force (ADF) operational capability (DD 2015g).

The Priority Industry Capability Innovation (PICI) program provides support to Australia's defence industry to develop, adopt and commercialise innovative technologies, methodologies, materials or systems in areas defined as PICs.

Applications for the PICI are no longer being accepted and as a result there was no Australian Government administered expenses for the program in 2013-14. Funding for 2011-12 and 2012-13, however, was \$13.3 million and \$10.4 million, respectively (DD 2015h).

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The program is assessed as initially benefiting firms predominantly 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.

## **Defence Materials Technology Centre**

The Defence Materials Technology Centre (DMTC) is a collaborative venture that brings together the defence industry, universities and government research agencies to develop new materials and manufacturing technologies intended to enhance Australia's defence capability. The DMTC is based on the Co-operative Research Centre model and operates as a public company (DMTC 2015).

The value of Australian Government administered expenses for 2013-14 was \$6.8 million (DMTC 2014).

The program is assessed as initially benefiting firms predominantly 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.

### 3 Programs previously included in the estimates that had zero assistance in 2013-14

This chapter presents information on 24 programs which were included in the assistance estimates for 2012-13 (and earlier years where applicable), but which had zero assistance in 2013-14. Assistance provided by these programs was \$449.6 million in 2012-13 (table 3.1).

**Table 3.1 Assistance programs in 2012-13 with zero assistance in 2013-14<sup>a</sup>**

<i>Program</i>	<i>Form<sup>b</sup></i>	<i>Initial benefiting industry</i>	<i>Funding 2012-13 \$m</i>
25 per cent entrepreneurs' tax offset	TE	Horticulture and fruit growing; Sheep, beef cattle and grain farming; Other crop grouping; Dairy cattle farming; Other livestock farming; Aquaculture and fishing; Forestry and logging; Primary production support services; Mining; Food, beverages and tobacco; Textile, leather, clothing and footwear; Wood and paper products; Printing and recorded media; Petroleum, coal, chemical and rubber products; Non-Metallic mineral products; Metal and fabricated metal products; Motor vehicle and parts; Other transport equipment; Machinery and equipment manufacturing; Furniture and other manufacturing; Electricity, gas, water and waste services; Construction; Wholesale trade; Retail trade; Accommodation and food services; Transport, postal and warehousing; Information, media and telecommunications; Financial and insurance services; Property, professional and administrative services; Public administration and safety; Education and training; Health care and social assistance; Arts and recreation services; Other services; and Unallocated other	200.0
Rebate for broadcasting licence fees	TE	Information, media and telecommunications	155.0

(continued next page)



**Table 3.1** (continued)

<i>Program</i>	<i>Form<sup>b</sup></i>	<i>Initial benefiting industry</i>	<i>Funding 2012-13</i>
			<i>\$m</i>
Tasmanian Forests Agreement - Implementation Package <sup>1</sup>	BO	Forestry and logging	20.3
Australian Space Science Program	BO	Unallocated other	12.7
Priority Industry Capability Innovation Program	BO	Unallocated manufacturing	10.4
National Energy Efficiency Initiative - Smart Grid, Smart City	BO	Unallocated other	9.1
Illawarra Region Innovation and Investment Fund	BO	Primary production support services; Food, beverages and tobacco; Printing and recorded media; Petroleum, coal, chemical and rubber products; Non-Metallic mineral products; Metal and fabricated metal products; Machinery and equipment manufacturing; Furniture and other manufacturing; Electricity, gas, water and waste services; Transport, postal and warehousing; Information, media and telecommunications; Property, professional and administrative services; Health care and social assistance; Arts and recreation services; and Unallocated other	7.8
Tax Deduction for horticultural plantations	TE	Horticulture and fruit growing	6.0
LPG Vehicle Scheme	BO	Retail trade	5.2
South East South Australia Innovation and Investment Fund	BO	Horticulture and fruit growing; Aquaculture and fishing; Mining; Food, beverages and tobacco; Wood and paper products; Non-Metallic mineral products; Metal and fabricated metal products; Electricity, gas, water and waste services; Construction; Wholesale trade; Retail trade; Property, professional and administrative services; Education and training; and Other services	4.5
Automotive Supply Chain Development Program	BO	Motor vehicle and parts	4.4
Small scale mammalian cell production facility	BO	Petroleum, coal, chemical and rubber products	4.0
Vodafone Hutchison Australia - Tasmania Call Centre Expansion	BO	Information, media and telecommunications	4.0
Drought assistance - re-establishment assistance	BO	Unallocated primary production	2.2
National Enabling Technologies Strategy	BO	Property, professional and administrative services; and Unallocated other	0.7

(continued next page)

<sup>1</sup> Funding originally allocated to this program has been redirected to the Tasmanian Jobs and Growth Package. Announced in October 2013, this package is included in the 2013-14 assistance estimates (see chapter 2).

**Table 3.1** (continued)

<i>Program</i>	<i>Form<sup>b</sup></i>	<i>Initial benefiting industry</i>	<i>Funding 2012-13</i>
			<i>\$m</i>
Climate Change Adjustment Program	BO	Unallocated primary production	0.6
Exotic Disease Preparedness Program	BO	Unallocated primary production	0.6
Premium Fresh Tasmania - assistance	BO	Horticulture and fruit growing	0.5
Pooled development funds	TE	Financial and insurance services	0.5
Regional headquarters program	TE	Unallocated other	0.5
Tasmanian Forest Industry Adjustment Package	BO	Forestry and logging	0.3
Asia Pacific Partnership on Clean Development and Climate	BO	Unallocated other	0.2
Drought assistance - Murray Darling Basin Grants to Irrigators	BO	Unallocated primary production	0.1
Drought assistance - professional advice	BO	Unallocated primary production	<0.1
<b>TOTAL</b>			<b>449.6</b>

<sup>a</sup> The Priority Industry Capability Innovation program, discussed in chapter 2, had zero assistance in 2013-14, however, the program is not included in this table as the program had not previously been included in the assistance estimates. <sup>b</sup> BO: budgetary outlay. TE: tax expenditure.

Source: Commission estimates.



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## 4 Methodological changes to the estimates

This chapter summarises the methodological changes included in the assistance measurement system for the *Trade & Assistance Review 2013-14*. These adjustments relate to:

- the Small Business simplified depreciation rules;
- Export Finance Insurance Corporation's national interest business;
- income tax averaging provision for primary producers;
- R&D Tax Incentive; and
- negative tax concessions.

### **Small Business simplified depreciation rules**

The Small Business simplified depreciation rules scheme is a tax concession that enables small business entities with an aggregated annual turnover of less than \$2 million to access concessional depreciation arrangements for business assets. Under the concessions, small businesses can immediately write-off assets that cost less than \$1 000. Assets above \$1 000 are depreciated through simplified pooling arrangements at a rate of 30 per cent (15 per cent in the first year). The general small business pool can be immediately deducted at the end of the income year if its value is less than \$1000 (before deducting depreciation for the year) (Australian Government 2015).

Previously, in June 2013, the then Australian Government announced a number of taxation measures intended to help small businesses (those with turnover of less than \$2 million) (PC 2014). These measures applied between 1 July 2012 and 31 December 2013, and included:

- a \$6500 instant write-off for purchases of new equipment;
- an immediate deduction for the first \$5000 of motor vehicle purchases; and
- the ability to 'carry back' losses to offset past profits.

Following the change in arrangements applying to the scheme between 2012-13 and the first half of 2013-14, revenue foregone under the tax concession increased significantly from negative \$40 million in 2012-13 to positive \$1.4 billion in 2013-14.

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Prior to 2013-14, information on the specific industry incidence of the scheme had not been readily available. Accordingly, the tax concession was classified to the *Unallocated other* industry grouping in the Commission's ANZSIC-based classification.

For the 2013-14 *Review*, partly in response to the significant increase in revenue foregone under the scheme in 2013-14, information from the ABS publication *Counts of Australian Businesses, including entries and exits* (Cat. No. 8165) was used to allocate the concession to the Commission's ANZSIC-based industry classification (table 4.1). Under this approach, the average number of small businesses in operation over the 12 month period to June 2012 and with an annual turnover of less than \$2 million, was used to allocate the tax concession across the Commission's ANZSIC-based industry groupings. Using this approach, it was found that over 80 per cent of the value of the concession was estimated to accrue to service industries in 2013-14.

## **Export Finance Insurance Corporation's national interest business**

The Export Finance and Insurance Corporation (EFIC) is an Australian Government statutory authority which provides a range of credit and finance services to exporters. These services are provided through a:

- Commercial Account, in which the Government guarantees all EFIC businesses (although to date EFIC has been self-funded, building up its own reserves, and has not called on this guarantee); and
- National Interest Account, in which EFIC is directed to undertake transactions which the Government considers to be in the 'national interest' (in these cases, the Government directly bears the costs if export payments are in default).

As EFIC receives no funding from the government to support its Commercial Account activities, these have not been treated as providing assistance to industry, although it is recognised that the Government guarantee could afford a pecuniary benefit to the operations of EFIC that flow on to the clients of EFIC.

The National Interest Account has been used on an ad hoc basis, predominately by commodity exporters. The account has also been used to accommodate debts accrued under a discontinued AusAid scheme — the Development Import Finance Facility (DIFF). From these activities, EFIC has built up a stock of debt and the government provides funding to EFIC for administering these debts.

For past editions of the *Trade & Assistance Review*, the Commission has used information from the line item in EFIC's annual reports to allocate funding to the industries that initially benefited from insurance payouts, or other payments in the case of the DIFF debts.

**Table 4.1 Allocation of Small Business Simplified Depreciation Rules to industry, 2008-09 to 2013-14**

\$ million (nominal)

<i>Industry grouping</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>	<i>2013-14</i>
<b>Primary production</b>	<b>5.7</b>	<b>7.6</b>	<b>12.3</b>	<b>0.9</b>	<b>-3.8</b>	<b>134.3</b>
Horticulture and fruit growing	0.8	1.1	1.7	0.1	-0.5	19.0
Sheep, beef cattle and grain farming	3.1	4.1	6.7	0.5	-2.1	73.1
Other crop growing	0.3	0.3	0.5	<0.1	-0.2	6.0
Dairy cattle farming	0.4	0.5	0.8	0.1	-0.2	8.4
Other livestock farming	0.3	0.4	0.6	<0.1	-0.2	6.6
Aquaculture and fishing	0.2	0.3	0.5	<0.1	-0.1	5.3
Forestry and logging	0.3	0.4	0.6	<0.1	-0.2	6.9
Primary production support services	0.4	0.5	0.8	0.1	-0.3	9.0
<b>Mining</b>	<b>0.2</b>	<b>0.3</b>	<b>0.5</b>	<b>&lt;0.1</b>	<b>-0.1</b>	<b>5.0</b>
<b>Manufacturing</b>	<b>2.3</b>	<b>3.1</b>	<b>5.0</b>	<b>0.4</b>	<b>-1.5</b>	<b>54.2</b>
Food, beverages and tobacco	0.3	0.4	0.7	0.1	-0.2	8.0
Textiles, leather, clothing and footwear	0.2	0.3	0.5	<0.1	-0.1	5.3
Wood and paper products	0.2	0.2	0.4	<0.1	-0.1	4.1
Printing and recorded media	0.2	0.3	0.4	<0.1	-0.1	4.5
Petroleum, coal, chemical and rubber	0.1	0.2	0.3	<0.1	-0.1	3.3
Non-metallic mineral products	0.1	0.1	0.2	<0.1	-0.1	2.2
Metal and fabricated metal products	0.4	0.6	1.0	0.1	-0.3	10.6
Motor vehicles and parts	0.1	0.1	0.2	<0.1	-0.1	1.8
Other transport equipment	0.1	0.1	0.2	<0.1	-0.1	2.4
Machinery & equipment manufacturing	0.3	0.4	0.6	<0.1	-0.2	6.4
Furniture and other manufacturing	0.2	0.3	0.5	<0.1	-0.2	5.6
<b>Services</b>	<b>50.2</b>	<b>67.0</b>	<b>108.8</b>	<b>8.4</b>	<b>-33.5</b>	<b>1188.5</b>
Electricity, gas, water & waste services	0.2	0.2	0.3	<0.1	-0.1	3.6
Construction	9.9	13.2	21.4	1.6	-6.6	234.0
Wholesale trade	1.9	2.5	4.1	0.3	-1.3	45.2
Retail trade	3.7	4.9	8.0	0.6	-2.4	86.9
Accommodation & food services	2.3	3.0	4.9	0.4	-1.5	53.6
Transport, postal & warehousing	3.8	5.0	8.1	0.6	-2.5	88.9
Information & telecommunications	0.5	0.7	1.1	0.1	-0.4	12.4
Financial and insurance services	4.7	6.3	10.3	0.8	-3.2	112.3
Property, professional & admin.	16.0	21.3	34.7	2.7	-10.7	378.8
Public administration and safety	0.2	0.3	0.5	<0.1	-0.1	5.1
Education and training	0.7	1.0	1.6	0.1	-0.5	17.6
Health care and social assistance	3.0	3.9	6.4	0.5	-2.0	69.9
Arts and recreation services	0.8	1.1	1.7	0.1	-0.5	18.9
Other services	2.6	3.4	5.6	0.4	-1.7	61.2
<b>Unallocated other<sup>a</sup></b>	<b>1.6</b>	<b>2.1</b>	<b>3.5</b>	<b>0.3</b>	<b>-1.1</b>	<b>38.0</b>
<b>Total</b>	<b>60.0</b>	<b>80.0</b>	<b>130.0</b>	<b>10.0</b>	<b>-40.0</b>	<b>1420.0</b>

Figures may not add to totals due to rounding. <sup>a</sup> Unallocated other includes budgetary measures where details of beneficiaries are unknown.

Sources: Commission estimates based on ABS publication *Counts of Australian Businesses, including entries and exits* (Cat. No. 8165) and Tax Expenditure Statement 2014, Australian Government 2015, p. 61, item B81.

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For the 2013-14 *Review*, there was a large increase in the value of the line item (from \$2.7 million in 2012-13 to \$82 million in 2013-14). The reason for the increase was increased payments to Tourism Australia for services undertaken on behalf of the Department of Foreign Affairs and Trade. Such expenditure would not ordinarily be treated as industry assistance. Moreover, the composition of previous expenditures under this item could not be confirmed as a measure of government support to industry through the EFIC national interest business. Assistance estimates attributable to EFIC, including previous years estimates, were therefore not reported in the 2013-14 *Review*. It is intended to re-visit the assistance implications of EFIC, including the nature of the service payment to Tourism Australia, for future *Reviews*.

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

Reflecting income volatility in the primary production sector, the income tax averaging provisions for primary producers concession allows primary producers to average their income over a five-year cycle. 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 2015).

The Commission sources estimates of revenue foregone under the income tax averaging scheme from the Treasury's annual Tax Expenditure Statement (TES). For the 2014 TES, however, the Treasury did not provide an estimate for the tax concession in 2013-14. Treasury noted that projections beyond 2012-13 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, provides a range of possible estimates of revenue foregone from \$100 million to \$1 billion.

For the 2013-14 *Review*, the Commission has aligned its estimate of revenue foregone under the scheme in 2013-14 with Treasury's estimate for the previous year, \$150 million. This contrasts with the approach used for the 2012-13 *Review*, where the lower end of the range was selected to represent revenue foregone under the scheme. This approach subsequently under estimated Treasury's estimate for the scheme in 2012-13 by \$50 million.

Estimates of the concession since 2008-09 are presented in table 4.2. In view of changes in reporting of this item in the TES, the treatment of this item will require review in forthcoming *Trade & Assistance Reviews*.

**Table 4.2 Income tax averaging provisions for primary producers, 2008-09 to 2013-14**

\$ million (nominal)

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14 <sup>a</sup>
Income tax averaging provisions for primary producers	100.0	85.0	155.0	145.0	150.0	150.0

<sup>a</sup> The Commission has aligned its estimate of revenue foregone under the scheme in 2013-14 with Treasury's estimate for the previous year, \$150 million.

Source: Australian Government (2015), p. 45, item B40.

## R&D Tax Incentive

The R&D Tax Incentive scheme (the replacement scheme for the R&D tax concession and Premium R&D tax concession schemes) provides a tax offset for eligible R&D activities which is designed to encourage firms to engage in R&D that 'benefits' Australia (ATO 2015). The Incentive has two main components:

- a refundable tax offset for certain eligible entities whose aggregated turnover is less than \$20 million and payable at a rate of 43.5 per cent of expenditure on eligible R&D activities
- a non-refundable tax offset for all other eligible entities payable at a rate of 38.5 per cent on eligible R&D expenditure.

For 2013-14, the Commissioner of Taxation annual report provides an estimate for the R&D Tax Incentive scheme of around \$2 billion. This estimate includes both the refundable and non-refundable components although neither component is published separately. In addition, the Treasury's Tax Expenditure Statement (TES) publishes an estimate of the revenue foregone for the non-refundable component of the R&D Tax Incentive. The refundable component of the scheme, however, is not separately published.

The estimate for the R&D Tax Incentive refundable tax offset, as published in the *Trade & Assistance Review*, is therefore a derived estimate based on information provided in the Commissioner of Taxation annual report and the TES. For 2013-14, the derived estimate (\$911 million) for the refundable component of the scheme is calculated as the total funding estimate for the R&D Tax Incentive scheme, as published in the Commissioner of Taxation annual report 2013-14 (p. 84), less the TES 2015 estimate for the non-refundable component of the R&D Tax Incentive (Item B80, p. 61).

Estimates of the R&D Tax Incentive in 2012-13 and 2013-14, including the derived estimate for the refundable tax offset, are presented in table 4.3.



**Table 4.3 R&D Tax Incentive funding, 2012-13 and 2013-14**  
\$ million (nominal)

<i>Program</i>	<i>Source</i>	<i>2012-13</i>	<i>2013-14</i>
R&D Tax Incentive			
– Non-refundable tax offset	<i>Treasury's Tax Expenditure Statement 2014</i>	1080.0	1120.0
– Refundable tax offset	<i>(Derived estimate)</i>	509.0	911.0
<b>Total</b>	<i>Commissioner of Taxation annual report</i>	<b>1589.0</b>	<b>2031.0</b>

*Sources:* Commission estimates based on Commissioner of Taxation annual report (various years) and Tax Expenditure Statement 2014, Australian Government 2015, p. 61, item B80.

## Negative tax concessions

A tax concession, or expenditure, arises where the actual tax treatment of an activity or class of tax payer differs from the benchmark tax treatment.<sup>1</sup> Tax concessions include tax exemptions, deductions or offsets, concessional tax rates and deferrals of tax liability. A positive tax concession reduces tax payable relative to the benchmark, while a negative tax concession increases tax payable relative to the benchmark (Australian Government 2015).

For the 2013-14 *Review*, the Commission's assistance estimates included four negative tax concessions:

- Tax deductions for grape vines;
- Film industry deductions (division — 10B & 10BA);
- R&D tax offset payments — exemption; and
- R&D Tax Incentive — exemption of refundable tax offset.

These tax concessions fall into two main groups. First, the accelerated depreciation tax concessions for grape vines and film industry deductions, were negative in 2013-14 largely because they are no longer available to new entrants and the alternative, or current benchmark tax treatment, only allows for assets to be depreciated over a longer time period. The current concessional arrangements (asset write-off of 13 per cent per annum) increases tax payable relative to the older benchmark (asset write-off of 25 per cent per annum) resulting in a negative tax concession.

Second, the R&D tax offset exemptions are negative because of the structure of the broader R&D tax concession and R&D Tax Incentive schemes and the unavailability of certain parts of each scheme for certain types of business entities. For example, the R&D

<sup>1</sup> Benchmarks represent a standard taxation treatment that applies to similar taxpayers or types of activity and can also incorporate structural elements of the tax system. Determining benchmarks involves judgment, hence, the choice of benchmark can be contentious (Australian Government 2015).

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Tax Incentive scheme (the replacement scheme for the R&D tax concession) provides a tax offset for eligible R&D activities designed to encourage firms to engage in R&D.

Companies that claim the R&D refundable tax offset, however, are unable to claim deductions for the R&D expenditure. The absence of these deductions constitutes a negative tax concession and explains the negative estimates. The value of the R&D refundable tax offset, however, exceeds the loss from being unable to claim deductions for R&D expenditure so that net positive assistance is afforded industry under the arrangements.



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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 2013-14* and replicated below in figure 5.1 and supported by table 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, Korea and the latest agreement to enter into force, the Japan-Australia agreement. The texts for the rules of origin for each agreement are sourced from the Department of Foreign Affairs and Trade (DFAT) website. The general methodology is outlined below while the detailed calculations for the Japan–Australia agreement are reported in appendix A. The detailed calculations for the agreements with New Zealand, Thailand, the United States, Chile, ASEAN, Malaysia and Korea were reported in last year’s methodological annex. The supporting spreadsheets deriving the summary of methods used to determine origin reported in the *Review* (figure 4.1, p. 67) are provided on the web with this Annex.

While the texts for each agreement can be downloaded from the DFAT trade agreement website, 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 4.2 (p. 66) 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, Korean and Japanese agreements 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.

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There is no single way of summarising rules within and between agreements. The approach first adopted for the 2012-13 *Review* and repeated for the Japan–Australia agreement in this year’s *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.
- For each rule, those entailing only a change in tariff classification (CTC) test, only a regional value content (RVC) test, or the choice of either a CTC or RVC test are separately identified. Other rules such as ‘wholly obtained’, technical tests, or a mix of CTC and RVC rules (qualifying value content (QVC) rules for the Japan–Australia agreement) are included in the ‘other’ category.<sup>1</sup>
- 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 QVC test in the case of the Japan–Australia agreement) or a technical test.

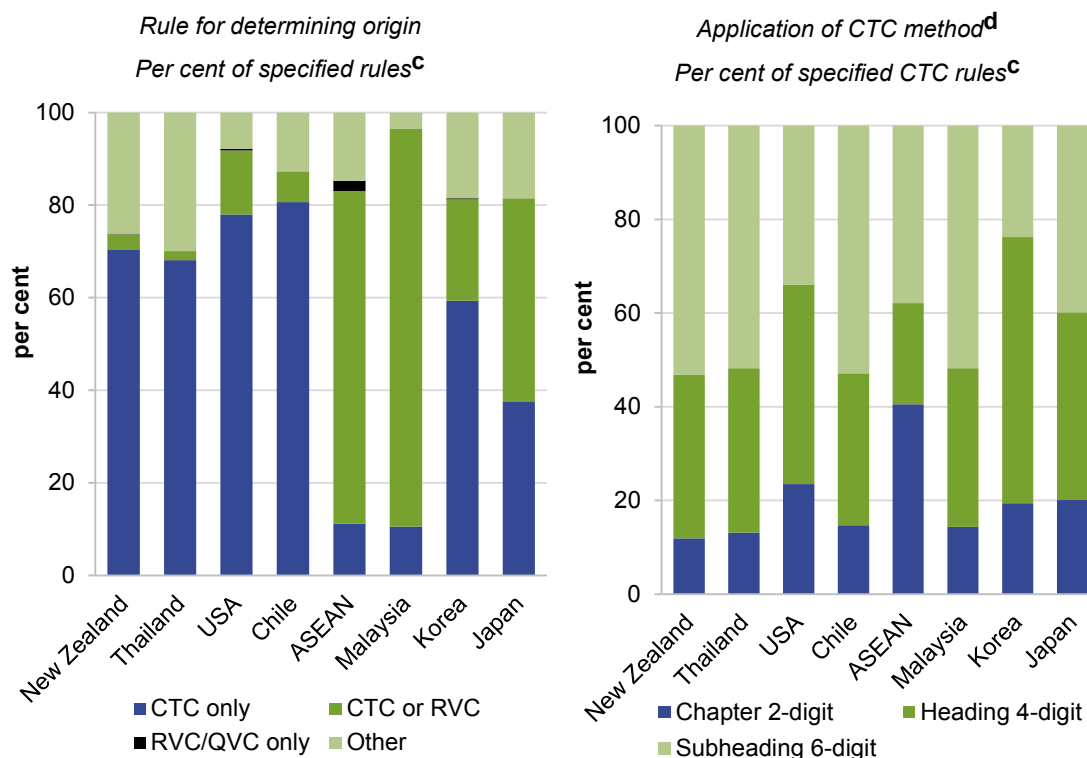
The procedures underpinning the reporting involve performing a cell count to determine the total number of rules and then counting the number of individual rules that correspond to the rule-types reported. For the left hand panel in figure 5.1, all possible origin rules were separated into the four categories. For the right hand panel of figure 5.1, rules that only involve a CTC 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 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 4.1 in the *Review*.

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<sup>1</sup> The Japan–Australia agreement uses the term Qualifying Value Content rule instead of the Regional Value Content rule used in most other agreements. For example, the Japan–Australia agreement uses the term “QVC 40” which means that the good has a qualifying value content of not less than 40 per cent and that the last process of production of the good has been performed in the exporting country.

Figure 5.1 **Methods used to determine the origin of merchandise trade in Australia's preferential trade agreements<sup>a,b,c,d</sup>**



<sup>a</sup> 'CTC' refers to a change in tariff classification test. 'RVC or QVC' refers to a regional or qualifying value content rule. 'Other' includes, combined CTC and RVC/QVC 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 originally 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>Japan</i>
<i>Incidence of rules for determining origin</i>								
CTC only	1978	1979	764	2260	346	282	3089	816
RVC/QVC only	2	1	3	0	67	0	8	0
CTC or RVC	93	55	136	187	2231	2303	1142	952
Other	740	872	77	356	458	92	966	403
Total <sup>a</sup>	2813	2907	980	2803	3102	2677	5205	2171
<i>Incidence of rules for the application of the CTC method</i>								
Chapter 2-digit	333	378	229	411	1107	381	936	436
Heading 4-digit	973	1009	415	907	589	900	2739	870
Subheading 6-digit	1486	1489	332	1480	1035	1377	1147	865
Total	2792	2876	976	2798	2731	2658	4822	2171

<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 for the Japan-Australia agreement

This appendix outlines the more detailed calculations for the Japan–Australia agreement that supports the methodology used to create the rules of origin figures published in the *Trade & Assistance Review 2013-14* (replicated in figure 5.1 and table 5.1). The detailed calculations for Australia’s agreements with New Zealand, Thailand, the United States, Chile, ASEAN, Malaysia and Korea were presented in last year’s annex. The data set constructed using the methodology described below is at: <http://www.pc.gov.au/research/ongoing/trade-assistance/2013-14>; and <http://www.pc.gov.au/research/ongoing/trade-assistance/2012-13> for the agreements detailed in last year’s annex.

## The Japan-Australia agreement

The product-specific rules of origin for the Japan–Australia agreement which came into force on 15 January 2015 are available at <http://dfat.gov.au/trade/agreements/jaepa/official-documents/Documents/jaepa-annex-2.pdf>.

For this agreement, each rule has been assigned its own unique identifier/acronym as appears in column D of the Japan 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
- QVC Qualifying Value Content<sup>1</sup>

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<sup>1</sup> The Japan–Australia agreement uses the term Qualifying Value Content rule instead of the Regional Value Content rule used in most other agreements. For example, the Japan–Australia agreement uses the term “QVC 40” which means that the good has a qualifying value content of not less than 40 per cent and that the last process of production of the good has been performed in the exporting country.



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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:D2784,"\*\*\*\*") - COUNTIF(D50:D2784," "). 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 2171.

**The total number of rules for the Japan-Australia agreement is 2171.**

### **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:D2784,"CC"). The cell count is 122.

#### *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:D2784,"CTH"). The cell count is 328.

#### *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:D2784,"CTSH"). The cell count is 366.

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 816 (or 122 + 328 + 366)**

### **Qualifying Value Content only rules**

QVC only rules are determined by finding rules that contain the exact string "QVC\*\*\*\*". The cell count is derived by using the Excel function: COUNTIF(D50:D2784,"QVC\*\*\*\*") matching entire cell contents. The cell count is 0.

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## CTC or Qualifying Value Content rules

The number of rules that provide either a choice of CTC or QVC rule is determined by finding rules that contain the string "\*\*\*\*QVC\*\*\*\*" and deducting cells that have a CTC and QVC rule or a QVC and another rule. The cell count is derived by using the Excel functions:  $\text{COUNTIF}(\text{D50:D2784}, \text{"****QVC****"}) - \text{COUNTIF}(\text{D50:D2784}, \text{"C**** and QVC****"}) - \text{COUNTIF}(\text{D50:D2784}, \text{"QVC****"})$ . The cell count is verified by applying the Excel function to each line item and summing the count. The total number of CTC or QVC rules is 952 (or  $955 - 3 - 0$ ).

## Other rules

The number of other rules is the residual of total rules (2171), CTC only (816), QVC only rules (0) and CTC or QVC (952). The total other rules is 403 (or  $2171 - 816 - 0 - 952$ ).

## 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:  $\text{COUNTIF}(\text{D50:D2784}, \text{"****CC****"})$ . The cell count is verified by applying the Excel function to each line item and summing the count. The cell count is 436.

### 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:  $\text{COUNTIF}(\text{D50:D2784}, \text{"****CTH****"})$ . The cell count is verified by applying the Excel function to each line item and summing the count. The cell count is 870.

### 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:  $\text{COUNTIF}(\text{D50:D2784}, \text{"****CTSH****"})$ . The cell count is 867.

In order to avoid double counting, cells that have a rule choice between a CTH or CTSH option should be deducted. A visual check indicated the cell count is 2. 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 865 ( $867 - 2$ ).

**The total number of CTC rules is 2171 (or  $436 + 870 + 865$ ).**



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