

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Industry, Tourism and Resources Portfolio
Additional Estimates 2005-2006, 16 February 2006

AGENCY/DEPARTMENT: DEPARTMENT OF INDUSTRY, TOURISM AND RESOURCES
TOPIC: DEFINITION OF 'GRANT' AND 'SUBSIDY' AS OUTLINED IN WHOLE OF GOVERNMENT FINANCIAL FRAMEWORK
REFERENCE: HANSARD 16/02/06, PAGE E75

QUESTION No.AI-4
(Hansard 16/02/06, p.E75)

Senator Campbell asked about:

In responding to questions from Senator Campbell about the reclassification of the TCF Post 2005 Strategic Investment Program from subsidies to grants, Ms Melissa McClusky (Chief Financial Officer) agreed to provide:

- a definition of subsidies and grants; and
- an explanation of the differences between the TCF Strategic Investment Program subsidies that were reclassified to grants and the subsidies payable under the Automotive Competitiveness and Investment Schem (ACIS).

ANSWER

Subsidies and grants are defined as follows:

Subsidies: "Current transfers that government units make to enterprises either on the basis of the levels of their production activities or on the basis of the quantities or values of the goods or services that they produce, sell, or import."

Grants: "All transfers other than subsidies."

Source: "Australian System of Government Finance Statistics Concepts, Sources and Methods 2005"

When the appropriation estimates for the Textile Clothing and Footwear Strategic Investment Program were initially included in the Department's forward estimates, they were classified as subsidies. Subsequently it was realised that the program payments are of the nature of grants rather than subsidies and the associated expense estimates were reclassified accordingly in the Department's budgeted financial statements. The appropriations available for the program remained unchanged because the decrease in estimates of subsidies expenses was matched by an increase of the same amount in estimated grants expenses.

ACIS expense estimates are classified as subsidies because the nature of ACIS expenses is consistent with the subsidy definition.