



AUSTRALIAN INDUSTRY

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INQUIRIES

For further information about these and related statistics, contact the National Information and Referral Service on 1300 135 070 or Phillip Lui on Sydney (02) 9268 4269.

NOTES

- ABOUT THIS PUBLICATION** This publication presents estimates of the economic and financial performance of Australian industry for 2006–07. These data are compiled from the ABS Economic Activity Survey (EAS) and from Business Activity Statement (BAS) data reported to the Australian Taxation Office.
- CHANGES TO THIS PUBLICATION** The estimates in this publication are based on the *Australian and New Zealand Standard Industrial Classification (ANZSIC)*, 2006 edition. Data in previous issues are based on the 1993 version of the ANZSIC. ANZSIC 2006 was adopted to provide a more contemporary industrial classification system, taking into account issues such as changes in the structure and composition of the economy, changing user demands, and compatibility with major international classification standards.
- Significant changes have also been made to the collection scope, sample design and estimation methodology used to produce estimates for 2006–07, most notably in the way business tax data are used. For these reasons, a new statistical series has commenced with the 2006–07 collection.
- During the period of transition to the new collection design, the ABS has been selective with the range of data produced and cleared for release. As a consequence, business counts, employment data and ANZSIC class level estimates are not included in this edition. ANZSIC subdivision level data are also not included in the detailed data spreadsheets, although some data is available for selected subdivisions on request. It is anticipated that the reductions in data outputs are only temporary, and that the full set of data will be available for 2007–08 as the new design and methods are firmly established. For further details see Explanatory Notes paragraphs 3–5.
- Key data from 2004–05 and 2005–06, compiled using the new methodology and on a 2006 ANZSIC basis, are included as an aid to analysis. For further details see Explanatory Notes paragraph 25 and Technical Note 1 paragraph 22.
- INFORMATION AVAILABLE ON-LINE** The text components of this publication are available free on-line. A PDF publication and extended data spreadsheets are also available free on-line. Further information on the ABS and its products and services is available on the ABS website.

Brian Pink
Australian Statistician

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INTRODUCTION

This publication presents estimates of the economic and financial performance of Australian industry. The estimates are based on data collected in the ABS Economic Activity Survey for 2006–07, and Business Activity Statement data reported to the Australian Taxation Office. All value data in this publication are shown at current prices.

KEY DATA

Table 1.1 contains the only times series included in this publication. Selected items are presented from 2004–05 to 2006–07.

For **TOTAL SELECTED INDUSTRIES**, the key aggregates of income, expenses and industry value added increased by 12%, 9% and 13% respectively between 2005–06 and 2006–07.

Operating profit before tax (OPBT) increased by 32%, and earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 14%.

All industries other than **AGRICULTURE, FORESTRY AND FISHING** recorded increases in total income. **AGRICULTURE, FORESTRY AND FISHING** total income declined by 2%. The largest percentage increase (28%) was recorded by the **RENTAL, HIRING AND REAL ESTATE SERVICES** industry. **MANUFACTURING** recorded the largest absolute increase (\$41.0b).

All industries recorded increases in total expenses. The largest percentage increase (16%) occurred in the **PROFESSIONAL, SCIENTIFIC AND TECHNICAL SERVICES** industry, and the largest absolute increase (\$35.4b) in **MANUFACTURING**.

For **TOTAL SELECTED INDUSTRIES** EBITDA increased by \$35.3b from 2005–06. The largest absolute increase in EBITDA between 2005–06 and 2006–07 occurred in **MINING** (\$10.1b). **MINING** was also the largest contributor (\$50.0b, or 17%) to the estimate of EBITDA for **TOTAL SELECTED INDUSTRIES**.

OPBT for **TOTAL SELECTED INDUSTRIES** increased by \$64.7b. **RENTAL, HIRING AND REAL ESTATE SERVICES** recorded the largest absolute increase in OPBT (\$17.2b), followed by **MINING** (\$10.1b). The largest contributor to OPBT in 2006–07 was **MINING** (\$42.2b, or 16%).

For information about collection methodology, see Technical Note 1.

The Glossary provides definitions for terms used.

LABOUR COSTS

Table 1.2 presents the components of total labour costs by industry.

The industries with the largest total labour costs are **MANUFACTURING** (\$58.8b) and **PROFESSIONAL, SCIENTIFIC AND TECHNICAL SERVICES** (\$51.7b).

In 2006–07, wages and salaries totalled \$341.0b, 86% of total labour costs for **TOTAL SELECTED INDUSTRIES**.

INDUSTRY VALUE ADDED

Table 1.3 presents the components of Industry value added by industry.

Industry value added (IVA) for TOTAL SELECTED INDUSTRIES increased by 13%, or \$81.7b, between 2005–06 and 2006–07.

As measured by IVA, the largest industries in 2006–07 were MANUFACTURING (contributing 14% of the estimate for TOTAL SELECTED INDUSTRIES), CONSTRUCTION, MINING and PROFESSIONAL, SCIENTIFIC AND TECHNICAL SERVICES (all 10%).

FURTHER COMMENTARY

Please see:

- Industry performance: Chapter 2, page 11
- States, territories and Australia: Chapter 3, page 23

1.1

KEY DATA, 2004–05 TO 2006–07 (a)

	Wages and salaries(b)	Sales and service income(c)	Total income	Total expenses	Operating profit before tax	Earnings before interest, tax, depreciation and amortisation	Industry value added
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
AGRICULTURE, FORESTRY AND FISHING							
2004–05	5 099	^ 52 582	54 061	48 625	^ 5 220	10 802	^ 17 200
2005–06	5 325	^ 55 239	57 121	51 321	** 5 410	10 757	^ 17 591
2006–07	5 333	52 850	55 964	51 389	* 4 476	* 7 789	^ 16 110
MINING							
2004–05	7 826	74 849	81 855	61 031	21 499	26 590	41 746
2005–06	9 835	99 497	105 361	74 206	32 060	39 847	59 323
2006–07	11 790	115 606	123 175	81 953	42 194	49 954	71 829
MANUFACTURING							
2004–05	44 889	321 044	326 948	304 878	25 061	33 712	87 898
2005–06	46 973	338 783	344 371	320 524	25 892	35 068	91 179
2006–07	50 357	378 640	385 332	355 950	30 761	39 581	99 086
ELECTRICITY, GAS, WATER AND WASTE SERVICES							
2004–05	5 763	55 726	59 331	52 195	7 351	15 639	22 608
2005–06	6 759	58 708	64 926	56 051	8 989	15 563	23 728
2006–07	7 395	61 073	68 264	58 804	9 783	15 641	24 277
CONSTRUCTION							
2004–05	24 124	^ 164 590	167 831	153 017	* 13 789	15 484	44 665
2005–06	28 816	188 677	193 674	174 230	^ 18 943	21 352	56 812
2006–07	32 175	226 185	231 568	200 042	^ 28 555	^ 31 027	72 888
WHOLESALE TRADE							
2004–05	22 304	311 581	315 162	305 754	12 809	14 666	41 272
2005–06	24 523	334 688	338 667	325 993	14 925	17 420	47 239
2006–07	26 787	350 303	354 982	342 151	^ 16 076	17 910	49 594
RETAIL TRADE							
2004–05	24 430	246 701	248 430	239 266	^ 10 901	13 319	41 691
2005–06	25 365	262 744	265 686	256 177	^ 10 270	13 061	43 807
2006–07	28 118	289 193	293 225	281 033	^ 13 172	^ 13 313	46 466
ACCOMMODATION AND FOOD SERVICES							
2004–05	13 077	^ 53 827	54 464	50 403	* 4 143	6 173	^ 21 147
2005–06	13 849	58 242	59 211	54 655	* 4 588	6 990	23 098
2006–07	14 393	62 702	63 985	58 479	^ 5 962	^ 7 662	24 507

^ estimate has a relative standard error of 10% to less than 25% and should be used with caution

* estimate has a relative standard error of 25% to 50% and should be used with caution

** estimate has a relative standard error greater than 50% and is considered too unreliable for general use

(a) For scope details, see Explanatory Notes paragraphs 11–18.

(b) Includes capitalised wages and salaries; excludes the drawings of working proprietors.

(c) Includes rent, leasing and hiring income.

1.1

KEY DATA, 2004–05 TO 2006–07(a) *continued*

	Wages and salaries(b)	Sales and service income(c)	Total income	Total expenses	Operating profit before tax	Earnings before interest, tax, depreciation and amortisation	Industry value added
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
TRANSPORT, POSTAL AND WAREHOUSING							
2004–05	18 216	^ 93 188	99 445	89 277	10 163	16 442	38 477
2005–06	20 360	^ 99 280	107 967	98 045	**9 829	18 608	^ 43 042
2006–07	23 125	111 291	121 380	107 313	14 204	21 321	48 896
INFORMATION MEDIA AND TELECOMMUNICATIONS							
2004–05	9 713	59 583	61 132	50 907	^ 10 388	17 735	29 216
2005–06	11 064	61 874	63 667	54 679	^ 8 972	16 910	^ 29 547
2006–07	10 909	67 023	68 895	58 632	10 353	18 703	31 475
RENTAL, HIRING AND REAL ESTATE SERVICES							
2004–05	8 174	61 606	69 454	50 954	^ 18 569	21 986	32 401
2005–06	9 278	^ 69 804	82 336	60 723	*22 202	25 080	^ 37 238
2006–07	11 054	79 765	105 183	65 892	^ 39 388	27 975	43 111
PROFESSIONAL, SCIENTIFIC AND TECHNICAL SERVICES							
2004–05	34 861	90 908	104 252	89 804	^ 14 310	8 804	^ 48 373
2005–06	39 959	^ 115 951	133 294	111 726	*22 201	14 303	^ 59 926
2006–07	44 772	136 051	153 099	129 086	^ 24 701	^ 16 919	69 846
ADMINISTRATIVE AND SUPPORT SERVICES							
2004–05	20 505	44 302	45 677	41 466	^ 4 204	4 254	27 072
2005–06	23 194	*50 275	52 498	47 996	**4 484	4 416	*30 685
2006–07	24 881	52 046	59 374	52 884	^ 6 464	*5 881	^ 35 448
EDUCATION AND TRAINING (PRIVATE)							
2004–05	8 150	9 492	17 025	15 359	*1 688	1 584	10 522
2005–06	8 765	10 203	18 620	16 903	^ 1 691	1 274	11 130
2006–07	9 818	11 853	20 926	18 666	^ 2 274	^ 1 365	12 543
HEALTH CARE AND SOCIAL ASSISTANCE (PRIVATE)							
2004–05	19 838	39 287	50 654	44 688	5 982	6 002	29 478
2005–06	21 797	44 024	56 472	49 457	7 240	7 658	33 668
2006–07	24 411	49 530	67 405	55 916	^ 11 524	^ 9 780	39 585
ARTS AND RECREATION SERVICES							
2004–05	3 408	^ 19 594	20 846	18 121	2 716	3 028	7 059
2005–06	3 880	21 200	22 962	20 299	^ 2 751	2 650	^ 7 383
2006–07	4 041	22 569	25 851	22 253	3 601	^ 2 646	8 247

^ estimate has a relative standard error of 10% to less than 25% and should be used with caution

* estimate has a relative standard error of 25% to 50% and should be used with caution

** estimate has a relative standard error greater than 50% and is considered too unreliable for general use

(a) For scope details, see Explanatory Notes paragraphs 11–18.

(b) Includes capitalised wages and salaries; excludes the drawings of working proprietors.

(c) Includes rent, leasing and hiring income.

1.1KEY DATA, 2004–05 TO 2006–07 (a) *continued*

	<i>Wages and salaries (b)</i>	<i>Sales and service income (c)</i>	<i>Total income</i>	<i>Total expenses</i>	<i>Operating profit before tax</i>	<i>Earnings before interest, tax, depreciation and amortisation</i>	<i>Industry value added</i>
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
OTHER SERVICES							
2004–05	9 270	33 957	38 277	34 704	*3 657	1 830	13 554
2005–06	10 327	^ 35 801	40 190	37 070	*3 001	1 335	^ 14 886
2006–07	11 611	37 318	45 889	41 199	*4 700	**152	18 124
TOTAL SELECTED INDUSTRIES (d)							
2004–05	279 647	1 732 816	1 814 844	1 650 447	172 450	218 049	554 378
2005–06	310 070	1 904 990	2 007 024	1 810 055	203 449	252 293	630 282
2006–07	340 968	2 103 999	2 244 497	1 981 641	268 190	287 620	712 030

^ estimate has a relative standard error of 10% to less than 25% and should be used with caution

* estimate has a relative standard error of 25% to 50% and should be used with caution

** estimate has a relative standard error greater than 50% and is considered too unreliable for general use

(a) For scope details, see Explanatory Notes paragraphs 11–18.

(b) Includes capitalised wages and salaries; excludes the drawings of working proprietors.

(c) Includes rent, leasing and hiring income.

(d) Excludes Division K FINANCIAL AND INSURANCE SERVICES and Division O PUBLIC ADMINISTRATION AND SAFETY.

1.2 LABOUR COSTS (a)

<i>Industry division</i>	<i>Wages and salaries (b)</i>	<i>Employer contributions into super-annuation funds</i>	<i>Workers' compensation premiums/costs</i>	<i>Selected labour costs</i>	<i>Fringe benefits tax</i>	<i>Payroll tax</i>	<i>Total labour costs</i>
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Agriculture, forestry and fishing	5 333	648	238	6 218	13	79	6 311
Mining	11 790	902	227	12 918	137	535	13 590
Manufacturing	50 357	4 282	1 518	56 157	513	2 114	58 784
Electricity, gas, water and waste services	7 395	517	97	8 008	65	325	8 398
Construction	32 175	2 945	1 071	36 192	164	903	37 259
Wholesale trade	26 787	2 545	559	29 891	426	1 153	31 471
Retail trade	28 118	3 221	520	31 860	198	937	32 994
Accommodation and food services	14 393	1 251	355	15 998	46	386	16 430
Transport, postal and warehousing	23 125	1 888	682	25 694	168	1 037	26 898
Information media and telecommunications	10 909	863	87	11 859	140	517	12 516
Rental, hiring and real estate services	11 054	1 050	153	12 257	54	417	12 728
Professional, scientific and technical services	44 772	4 490	585	49 847	331	1 475	51 653
Administrative and support services	24 881	3 307	655	28 843	94	988	29 925
Education and training (private)	9 818	874	133	10 824	39	64	10 927
Health care and social assistance (private)	24 411	2 702	674	27 787	75	318	28 180
Arts and recreation services	4 041	396	61	4 498	26	127	4 651
Other services	11 611	1 053	235	12 898	76	195	13 169
Total selected industries^(c)	340 968	32 933	7 850	381 750	2 564	11 571	395 885

(a) For scope details, see Explanatory Notes paragraphs 11–18.

(b) Includes capitalised wages and salaries; excludes the drawings of working proprietors.

(c) Excludes Division K FINANCIAL AND INSURANCE SERVICES and Division O PUBLIC ADMINISTRATION AND SAFETY.

1.3 INDUSTRY VALUE ADDED(a)(b)

Industry subdivision	PLUS				LESS		Industry value added
	Sales and service income(c)	Government funding for operational costs	Capital work done for own use	Change in inventories	Purchases of goods and materials	Other intermediate input expenses	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Agriculture, forestry and fishing	52 850	586	137	-99	23 677	13 687	[^] 16 110
Mining	115 606	954	1 213	972	13 639	33 277	71 829
Manufacturing	378 640	700	790	1 379	216 967	65 457	99 086
Electricity, gas, water and waste services	61 073	1 480	5 442	324	26 924	17 119	24 277
Construction	226 185	369	644	-2 972	96 610	54 729	72 888
Wholesale trade	350 303	117	207	3 245	265 122	39 156	49 594
Retail trade	289 193	263	247	980	207 584	36 636	46 466
Accommodation and food services	62 702	107	68	456	22 693	16 119	24 507
Transport, postal and warehousing	111 291	4 398	944	137	21 619	46 255	48 896
Information media and telecommunications	67 023	183	3 134	90	9 846	29 117	31 475
Rental, hiring and real estate services	79 765	576	184	98	15 849	21 662	43 111
Professional, scientific and technical services	136 051	2 245	249	688	23 502	45 951	69 846
Administrative and support services	52 046	4 141	139	-26	6 470	14 393	[^] 35 448
Education and training (private)	11 853	7 415	22	14	2 300	4 464	12 543
Health care and social assistance (private)	49 530	13 406	349	34	8 776	15 961	39 585
Arts and recreation services	22 569	988	41	4	2 306	13 756	8 247
Other services	37 318	2 561	119	10	13 573	11 495	18 124
Total Selected Industries(d)	2 103 999	40 490	13 930	5 335	977 458	479 234	712 030

[^] estimate has a relative standard error of 10% to less than 25% and should be used with caution

(a) For scope details, see Explanatory Notes paragraphs 11–18.

(b) This table presents the derivation of industry value added (IVA) using the definition that applies to businesses classified as market producers. The components of IVA will not equate to the IVA estimate for those industries to which non-market producers contribute. For further details see Explanatory Notes paragraphs 40–41 and the Glossary.

(c) Includes rent, leasing and hiring income.

(d) Excludes Division K FINANCIAL AND INSURANCE SERVICES and Division O PUBLIC ADMINISTRATION AND SAFETY.

INTRODUCTION

Statistics in this chapter relate to the performance of Australian industry at the industry division level, as defined by the *Australian and New Zealand Standard Industrial Classification (ANZSIC)*, 2006 edition. ANZSIC Divisions K FINANCIAL AND INSURANCE SERVICES and O PUBLIC ADMINISTRATION AND SAFETY are excluded from the scope of the statistics. Aggregates excluding these industries are presented at the TOTAL SELECTED INDUSTRIES level. Please note that the EDUCATION AND TRAINING and HEALTH CARE AND SOCIAL ASSISTANCE industries, where shown (or included in totals) in this publication, exclude any public sector components.

The data presented include all activities of businesses classified to each industry, some of which may be activities other than those normally associated with that industry. Explanatory Notes paragraphs 11–18 provide further details.

Definitions of terms used are shown in the Glossary.

INCOME AND EXPENDITURE

For TOTAL SELECTED INDUSTRIES, total income was \$2,244b. The percentage contribution by small businesses was 33%, medium businesses 25% and large businesses 42%.

Total expenses of TOTAL SELECTED INDUSTRIES was \$1,982b. The percentage contribution by small businesses was 31%, medium businesses 26% and large businesses 43%.

In 2006–07, the industries with the largest share of total income for TOTAL SELECTED INDUSTRIES were MANUFACTURING (17%) and WHOLESALE TRADE (16%), followed by RETAIL TRADE (13%) and CONSTRUCTION (10%). For total expenses, the same industries predominate: MANUFACTURING (18%), WHOLESALE TRADE (17%), RETAIL TRADE (14%) and CONSTRUCTION (10%).

PROFITABILITY AND EARNINGS

Operating profit before tax (OPBT) for TOTAL SELECTED INDUSTRIES in 2006–07 was \$268b. The percentage contribution by small businesses was 45%, medium businesses 20% and large businesses 35%. Small businesses include many non-employed businesses which make a higher contribution to OPBT than to most of the other variables presented, as the drawings and/or labour costs of working proprietors and partners are not reflected in estimates of business expenses.

For TOTAL SELECTED INDUSTRIES, the estimated earnings before interest, tax, depreciation and amortisation (EBITDA) was \$288b in 2006–07.

The MINING industry was the largest contributor to EBITDA for TOTAL SELECTED INDUSTRIES in 2006–07, accounting for 17%. This was followed by MANUFACTURING (14%), and CONSTRUCTION (11%).

GROSS FIXED CAPITAL
FORMATION AND CAPITAL
EXPENDITURE

Gross fixed capital formation (GFCF) by TOTAL SELECTED INDUSTRIES was \$140b in 2006-07.

Over half of GFCF in 2006–07 occurred in five industries: MINING (16% of the estimate for TOTAL SELECTED INDUSTRIES), TRANSPORT, POSTAL AND WAREHOUSING (11%), RENTAL, HIRING AND REAL ESTATE SERVICES (10%), MANUFACTURING (10%) and ELECTRICITY, GAS, WATER AND WASTE SERVICES (10%).

INDUSTRY RATIOS

A range of performance measures, expressed as ratios or percentages, can be produced from the data available from businesses' financial statements. Three of these measures are presented in table 2.2 for each industry. Definitions are provided in the Glossary. Information about the uses and limitations of these measures can be found in Explanatory Notes paragraphs 35–39.

The largest profit margins were returned in RENTAL, HIRING AND REAL ESTATE SERVICES (49.4%), MINING (36.5%) and HEALTH CARE AND SOCIAL ASSISTANCE (23.3%). The smallest profit margins were returned in WHOLESALE TRADE and RETAIL TRADE (both 4.6%).

Values for interest coverage ranged from 14.2 times in MINING to 0.3 times in OTHER SERVICES.

INDUSTRY ANALYSIS

An analysis of performance by industry follows.

AGRICULTURE, FORESTRY AND
FISHING

In 2006–07, AGRICULTURE, FORESTRY AND FISHING contributed 2% to total income, 3% to total expenses and 2% to industry value added for TOTAL SELECTED INDUSTRIES.

AGRICULTURE, FORESTRY AND FISHING is the industry least dominated by large businesses, which accounted for only 8% of wages and salaries, and 7% of total income in 2006–07. By contrast, the contributions of small businesses to these two aggregates were, respectively, 63%, and 76%, the highest for each variable for any of the industries shown.

MINING

Depreciation and amortisation is a significant element of the cost structure of MINING, representing 13% of its total expenses in 2006–07, the highest proportion (together with INFORMATION MEDIA AND TELECOMMUNICATIONS) of any selected industry.

In 2006–07, MINING had the second highest capital expenditure (\$29b), after RENTAL, HIRING AND REAL ESTATE SERVICES (\$33b), of all the selected industries.

MANUFACTURING

MANUFACTURING accounted for 17% of total income, 18% of sales and service income, 15% of wages and salaries and 14% of IVA for TOTAL SELECTED INDUSTRIES in 2006–07, and was the largest contributor to these aggregates.

ELECTRICITY, GAS, WATER AND
WASTE SERVICES

Large businesses in ELECTRICITY, GAS, WATER AND WASTE SERVICES dominate IVA, total income, OPBT and wages and salaries, contributing over 75% in all cases in 2006–07. In terms of total income and wages and salaries, ELECTRICITY, GAS, WATER AND WASTE SERVICES is the industry most heavily dominated by large businesses.

Capital work done by businesses for their own use accounted for 36% of this industry's capital expenditure, the highest proportion of any selected industry (the proportion is 7% overall).

WHOLESALE TRADE

The WHOLESALE TRADE industry accounted for 16% of total income for TOTAL SELECTED INDUSTRIES in 2006–07, and was the second largest contributor after MANUFACTURING.

At 9%, the proportion of selected labour costs to total expenses in WHOLESALE TRADE in 2006–07 was the lowest of all industries shown. The proportion for TOTAL SELECTED INDUSTRIES was 19%.

RETAIL TRADE

With \$293b of total income, RETAIL TRADE recorded the third largest total income of the selected industries, after MANUFACTURING and WHOLESALE TRADE.

The RETAIL TRADE profit margin of 4.6% is, together with WHOLESALE TRADE, the lowest of all the industries shown.

TRANSPORT, POSTAL AND
WAREHOUSING

The TRANSPORT, POSTAL AND WAREHOUSING industry accounted for 11% of GFCF for TOTAL SELECTED INDUSTRIES in 2006–07, and was the second largest contributor after MINING.

Funding from government for operational costs represented 4% of total income for TRANSPORT, POSTAL AND WAREHOUSING, reflecting payments to passenger transport operators.

INFORMATION MEDIA AND
TELECOMMUNICATIONS

Around a third (35%) of the value of capital expenditure in INFORMATION MEDIA AND TELECOMMUNICATIONS consisted of capital work done for own use, the second highest proportion of any industry shown.

Depreciation and amortisation is a significant element of the cost structure of INFORMATION MEDIA AND TELECOMMUNICATIONS, representing 13% of its total expenses in 2006–07, the equal highest proportion (together with MINING) of all the selected industries.

Large businesses in INFORMATION MEDIA AND TELECOMMUNICATIONS dominate IVA, total income, OPBT and wages and salaries, contributing over 70% in all cases in 2006–07. In terms of OPBT and IVA this industry is the most heavily dominated by large businesses.

RENTAL, HIRING AND REAL ESTATE
SERVICES

The RENTAL, HIRING AND REAL ESTATE SERVICES industry has the highest capital expenditure of any industry at \$33b, which is 16% of TOTAL SELECTED INDUSTRIES. At 49%, it also has the highest profit margin of any industry.

RENTAL, HIRING AND REAL ESTATE SERVICES has 14% of its total expenses represented by interest expenses, which is the highest proportion of any of the industries shown (the proportion is 3% overall).

PROFESSIONAL, SCIENTIFIC AND
TECHNICAL SERVICES

PROFESSIONAL, SCIENTIFIC AND TECHNICAL SERVICES is a new industry under ANZSIC 2006 and is now the fifth largest industry, measured by total income, after MANUFACTURING, WHOLESALE TRADE, RETAIL TRADE and CONSTRUCTION.

It has 13% of selected labour costs for TOTAL SELECTED INDUSTRIES, the second highest proportion after MANUFACTURING (15%).

ADMINISTRATION AND SUPPORT
SERVICES

ADMINISTRATIVE AND SUPPORT SERVICES is another new industry under ANZSIC 2006.

In 2006–07, in terms of total income, it is the fifth smallest industry, ranking ahead of EDUCATION AND TRAINING (PRIVATE), ARTS AND RECREATION SERVICES, OTHER SERVICES and AGRICULTURE, FORESTRY AND FISHING.

EDUCATION AND TRAINING
(PRIVATE)

Selected labour costs represented 58% of total expenses for the EDUCATION AND TRAINING (PRIVATE) industry in 2006–07. As well, the \$7.4b received as funding from government for operational costs amounted to 35% of this industry's total income. Both proportions are the highest of any industry shown.

EDUCATION AND TRAINING (PRIVATE) is the industry in which medium businesses are most dominant in terms of total income and IVA.

HEALTH CARE AND SOCIAL
ASSISTANCE (PRIVATE)

The cost structure of the HEALTH CARE AND SOCIAL ASSISTANCE (PRIVATE) industry is distinctive in that selected labour costs and cost of sales are quite similar, constituting respectively 50% and 44% of total expenses for 2006–07.

Of the industries included in these statistics, HEALTH CARE AND SOCIAL ASSISTANCE (PRIVATE) is by far the largest recipient of funding from government for operational costs. In 2006–07 it received \$13.4b, or 33% of all such funding paid to TOTAL SELECTED INDUSTRIES. This funding represented 20% of the total income of the industry.

ARTS AND RECREATIONAL SERVICES

ARTS AND RECREATION SERVICES is the second smallest industry, measured by total income, of the selected industries. Its total income of \$25.9b is 1.2% of TOTAL SELECTED INDUSTRIES.

2.1**BUSINESS SIZE (a)**

<i>Business Size</i>	<i>Sales and service income(b)</i>	<i>Wages and salaries(c)</i>	<i>Total income</i>	<i>Total expenses</i>	<i>Operating profit before tax</i>	<i>Industry value added</i>
	\$m	\$m	\$m	\$m	\$m	\$m
AGRICULTURE, FORESTRY AND FISHING						
Small	40 074	3 344	42 618	38 725	**3 710	^ 12 400
Medium	^ 8 937	^ 1 538	^ 9 271	^ 8 607	**560	^ 2 897
Large	3 839	450	4 075	4 057	**207	*812
<i>Total</i>	52 850	5 333	55 964	51 389	*4 476	^ 16 110
MINING						
Small	18 738	^ 1 098	20 902	12 581	8 374	11 578
Medium	26 508	2 176	28 458	17 041	11 573	17 134
Large	70 360	8 516	73 816	52 332	22 246	43 117
<i>Total</i>	115 606	11 790	123 175	81 953	42 194	71 829
MANUFACTURING						
Small	51 986	8 821	53 088	46 763	6 554	17 918
Medium	91 995	15 790	93 317	87 937	6 030	26 809
Large	234 659	25 745	238 926	221 250	18 177	54 358
<i>Total</i>	378 640	50 357	385 332	355 950	30 761	99 086
ELECTRICITY, GAS, WATER AND WASTE SERVICES						
Small	5 668	^ 376	6 537	5 158	1 372	2 482
Medium	8 373	1 058	9 546	8 866	^ 716	2 828
Large	47 033	5 961	52 181	44 781	7 695	18 968
<i>Total</i>	61 073	7 395	68 264	58 804	9 783	24 277
CONSTRUCTION						
Small	116 872	^ 14 447	118 622	94 678	*20 310	^ 45 245
Medium	^ 57 484	^ 9 328	^ 59 284	^ 56 540	**3 414	^ 13 516
Large	^ 51 830	^ 8 400	^ 53 663	^ 48 824	4 831	^ 14 127
<i>Total</i>	226 185	32 175	231 568	200 042	^ 28 555	72 888
WHOLESALE TRADE						
Small	^ 105 786	^ 7 157	^ 106 425	^ 102 465	*5 045	^ 14 224
Medium	^ 102 247	^ 8 668	^ 103 408	^ 99 249	^ 4 753	^ 15 769
Large	142 271	10 962	145 149	140 436	6 278	19 601
<i>Total</i>	350 303	26 787	354 982	342 151	^ 16 076	49 594
RETAIL TRADE						
Small	^ 89 383	^ 9 521	^ 91 046	^ 84 684	^ 4 997	^ 16 554
Medium	^ 73 100	^ 5 693	^ 73 843	^ 72 760	*2 649	^ 9 420
Large	126 709	12 904	128 336	123 589	5 526	20 491
<i>Total</i>	289 193	28 118	293 225	281 033	^ 13 172	46 466

^ estimate has a relative standard error of 10% to less than 25% and should be used with caution

* estimate has a relative standard error of 25% to 50% and should be used with caution

** estimate has a relative standard error greater than 50% and is considered too unreliable for general use

(a) See Technical Note 1 paragraph 21. For the definition of Business Size see Glossary.

(b) Includes rent, leasing and hiring income.

(c) Includes capitalised wages and salaries; excludes the drawings of working proprietors.

2.1**BUSINESS SIZE (a)** *continued*

<i>Business Size</i>	<i>Sales and service income(b)</i>	<i>Wages and salaries(c)</i>	<i>Total income</i>	<i>Total expenses</i>	<i>Operating profit before tax</i>	<i>Industry value added</i>
	\$m	\$m	\$m	\$m	\$m	\$m
.....						
ACCOMMODATION AND FOOD SERVICES						
Small	*28 158	^ 4 865	*28 573	*25 567	*3 338	^ 9 688
Medium	^ 21 692	^ 5 802	^ 22 152	^ 20 718	^ 1 516	^ 8 693
Large	12 852	3 725	13 259	12 193	^ 1 109	6 126
<i>Total</i>	62 702	14 393	63 985	58 479	^ 5 962	24 507
.....						
TRANSPORT, POSTAL AND WAREHOUSING						
Small	34 139	^ 4 652	36 540	29 251	^ 7 439	^ 15 258
Medium	^ 26 657	^ 5 000	^ 27 744	^ 25 286	^ 2 469	^ 11 486
Large	50 495	13 473	57 096	52 776	^ 4 296	22 151
<i>Total</i>	111 291	23 125	121 380	107 313	14 204	48 896
.....						
INFORMATION MEDIA AND TELECOMMUNICATIONS						
Small	^ 4 855	^ 1 026	^ 5 133	^ 4 678	*438	^ 1 887
Medium	^ 10 886	^ 1 964	^ 11 666	^ 10 357	^ 1 312	^ 3 601
Large	51 282	7 920	52 097	43 597	8 604	25 987
<i>Total</i>	67 023	10 909	68 895	58 632	10 353	31 475
.....						
RENTAL, HIRING AND REAL ESTATE SERVICES						
Small	58 518	^ 5 900	79 251	45 426	^ 33 598	31 619
Medium	^ 12 320	^ 3 265	^ 12 985	^ 11 049	*2 271	*6 999
Large	^ 8 927	^ 1 889	12 946	9 416	3 519	^ 4 493
<i>Total</i>	79 765	11 054	105 183	65 892	^ 39 388	43 111
.....						
PROFESSIONAL, SCIENTIFIC AND TECHNICAL SERVICES						
Small	^ 60 179	^ 15 844	^ 62 615	^ 53 670	*9 438	^ 29 252
Medium	^ 39 224	^ 13 112	^ 47 033	^ 37 243	^ 9 891	^ 20 371
Large	36 647	15 815	43 451	38 172	^ 5 372	20 224
<i>Total</i>	136 051	44 772	153 099	129 086	^ 24 701	69 846
.....						
ADMINISTRATIVE AND SUPPORT SERVICES						
Small	15 586	^ 4 812	16 973	14 904	**2 066	^ 8 321
Medium	^ 11 602	^ 5 448	*15 461	*13 468	*1 965	^ 7 923
Large	^ 24 858	^ 14 621	^ 26 940	^ 24 512	*2 433	^ 19 203
<i>Total</i>	52 046	24 881	59 374	52 884	^ 6 464	^ 35 448
.....						
EDUCATION AND TRAINING (PRIVATE)						
Small	^ 3 587	^ 1 362	^ 5 257	^ 4 126	*1 140	^ 1 900
Medium	^ 5 742	^ 5 348	^ 10 434	^ 9 536	^ 900	^ 6 930
Large	2 524	3 107	5 235	5 004	235	3 713
<i>Total</i>	11 853	9 818	20 926	18 666	^ 2 274	12 543

^ estimate has a relative standard error of 10% to less than 25% and should be used with caution

* estimate has a relative standard error of 25% to 50% and should be used with caution

** estimate has a relative standard error greater than 50% and is considered too unreliable for general use

(a) See Technical Note 1 paragraph 21. For the definition of Business Size see Glossary.

(b) Includes rent, leasing and hiring income.

(c) Includes capitalised wages and salaries; excludes the drawings of working proprietors.

2.1**BUSINESS SIZE (a)** *continued*

<i>Business Size</i>	<i>Sales and service income(b)</i>	<i>Wages and salaries(c)</i>	<i>Total income</i>	<i>Total expenses</i>	<i>Operating profit before tax</i>	<i>Industry value added</i>
	\$m	\$m	\$m	\$m	\$m	\$m
HEALTH CARE AND SOCIAL ASSISTANCE (PRIVATE)						
Small	27 627	7 828	29 933	21 811	^ 8 132	17 883
Medium	^ 6 530	^ 5 516	^ 12 753	^ 11 721	^ 1 030	^ 7 198
Large	15 373	11 066	24 720	22 383	2 362	14 504
<i>Total</i>	49 530	24 411	67 405	55 916	^ 11 524	39 585
ARTS AND RECREATION SERVICES						
Small	6 500	1 136	7 103	5 911	^ 1 192	2 593
Medium	^ 7 650	1 320	^ 9 504	^ 8 617	^ 887	^ 2 135
Large	8 419	1 585	9 244	7 726	1 522	3 519
<i>Total</i>	22 569	4 041	25 851	22 253	3 601	8 247
OTHER SERVICES						
Small	23 513	5 886	27 258	24 120	* 3 137	10 704
Medium	^ 7 887	^ 3 430	^ 11 517	^ 10 649	^ 882	^ 4 326
Large	^ 5 918	^ 2 295	^ 7 115	^ 6 430	^ 681	^ 3 094
<i>Total</i>	37 318	11 611	45 889	41 199	* 4 700	18 124
TOTAL SELECTED INDUSTRIES (d)						
Small	691 169	98 075	737 872	614 520	120 280	249 506
Medium	518 833	94 458	558 377	509 643	52 819	168 036
Large	893 998	148 435	948 248	857 478	95 091	294 489
<i>Total</i>	2 103 999	340 968	2 244 497	1 981 641	268 190	712 030

^ estimate has a relative standard error of 10% to less than 25% and should be used with caution

* estimate has a relative standard error of 25% to 50% and should be used with caution

(a) See Technical Note 1 paragraph 21. For the definition of Business Size see Glossary.

(b) Includes rent, leasing and hiring income.

(c) Includes capitalised wages and salaries; excludes the drawings of working proprietors.

(d) Excludes Division K FINANCIAL AND INSURANCE SERVICES and Division O PUBLIC ADMINISTRATION AND SAFETY.

2.2 INDUSTRY PERFORMANCE (a)

		<i>Agriculture, forestry and fishing</i>	<i>Mining</i>	<i>Manufacturing</i>	<i>Electricity, gas, water and waste services</i>
Income					
Sales and service income(b)	\$m	52 850	115 606	378 640	61 073
Funding from government for operational costs	\$m	586	954	700	1 480
Interest income	\$m	493	2 400	1 656	993
Other income	\$m	2 036	4 214	4 335	4 717
<i>Total income</i>	\$m	<i>55 964</i>	<i>123 175</i>	<i>385 332</i>	<i>68 264</i>
Expenses					
Selected labour costs(c)	\$m	6 218	12 918	56 157	8 008
Cost of sales	\$m	37 693	46 911	281 522	39 997
Depreciation and amortisation	\$m	2 570	10 858	9 598	6 132
Interest expenses	\$m	3 271	3 517	5 214	5 436
Other operating expenses	\$m	1 789	7 248	2 406	480
less					
Capitalised wages and salaries	\$m	54	471	326	1 573
<i>Total expenses</i>	\$m	<i>51 389</i>	<i>81 953</i>	<i>355 950</i>	<i>58 804</i>
Change in inventories	\$m	-99	972	1 379	324
Earnings before interest tax depreciation and amortisation	\$m	*7 789	49 954	39 581	15 641
Operating profit before tax	\$m	*4 476	42 194	30 761	9 783
Economic values					
Gross fixed capital formation	\$m	^ 6 934	22 615	13 754	13 659
Capital expenditure(d)	\$m	^ 16 619	28 962	16 788	15 115
Disposal of assets	\$m	3 722	1 359	2 451	749
Net capital expenditure	\$m	12 897	27 602	14 336	14 365
Industry value added	\$m	^ 16 110	71 829	99 086	24 277
Industry ratios					
Profit margin	%	8.5	36.5	8.1	16.0
Interest coverage	times	2.4	14.2	7.6	2.9
Investment rate (value added)	%	103.2	40.3	16.9	62.3

^ estimate has a relative standard error of 10% to less than 25% and should be used with caution

* estimate has a relative standard error of 25% to 50% and should be used with caution

(b) Includes rent, leasing and hiring income.

(c) Excludes the drawings of working proprietors.

(d) Includes the value of capital work done for own use in table 1.3.

(a) For scope details, see Explanatory Notes paragraphs 11–18.

2.2 INDUSTRY PERFORMANCE (a) *continued*

		Construction	Wholesale trade	Retail trade	Accommodation and food services
Income					
Sales and service income(b)	\$m	226 185	350 303	289 193	62 702
Funding from government for operational costs	\$m	369	117	263	107
Interest income	\$m	880	2 137	450	235
Other income	\$m	4 134	2 424	3 319	941
Total income	\$m	231 568	354 982	293 225	63 985
Expenses					
Selected labour costs(c)	\$m	36 192	29 891	31 860	15 998
Cost of sales	\$m	153 408	301 684	243 558	38 509
Depreciation and amortisation	\$m	2 710	2 916	2 364	1 605
Interest expenses	\$m	4 776	3 480	1 546	1 271
Other operating expenses	\$m	6 283	1 057	861	664
less					
Capitalised wages and salaries	\$m	356	122	137	24
Total expenses	\$m	200 042	342 151	281 033	58 479
Change in inventories	\$m	-2 972	3 245	980	456
Earnings before interest tax depreciation and amortisation	\$m	^ 31 027	17 910	^ 13 313	^ 7 662
Operating profit before tax	\$m	^ 28 555	^ 16 076	^ 13 172	^ 5 962
Economic values					
Gross fixed capital formation	\$m	^ 11 105	^ 6 307	^ 6 430	^ 4 109
Capital expenditure(d)	\$m	^ 18 606	*11 087	^ 9 812	^ 6 250
Disposal of assets	\$m	4 392	599	2 854	766
Net capital expenditure	\$m	14 214	10 488	6 958	5 484
Industry value added	\$m	72 888	49 594	46 466	24 507
Industry ratios					
Profit margin	%	12.6	4.6	4.6	9.5
Interest coverage	times	6.5	5.1	8.6	6.0
Investment rate (value added)	%	25.5	22.4	21.1	25.5

^ estimate has a relative standard error of 10% to less than 25% and should be used with caution

* estimate has a relative standard error of 25% to 50% and should be used with caution

(a) For scope details, see Explanatory Notes paragraphs 11–18.

(b) Includes rent, leasing and hiring income.

(c) Excludes the drawings of working proprietors.

(d) Includes the value of capital work done for own use in table 1.3.

2.2 INDUSTRY PERFORMANCE (a) *continued*

		<i>Transport, postal and warehousing</i>	<i>Information Media and Telecommunications</i>	<i>Rental, hiring and real estate services</i>	<i>Professional, scientific and technical services</i>
Income					
Sales and service income(b)	\$m	111 291	67 023	79 765	136 051
Funding from government for operational costs	\$m	4 398	183	576	2 245
Interest income	\$m	1 071	433	6 046	3 352
Other income	\$m	4 620	1 256	18 796	11 451
<i>Total income</i>	\$m	<i>121 380</i>	<i>68 895</i>	<i>105 183</i>	<i>153 099</i>
Expenses					
Selected labour costs(c)	\$m	25 694	11 859	12 257	49 847
Cost of sales	\$m	67 624	36 912	37 538	69 841
Depreciation and amortisation	\$m	8 008	7 769	4 085	2 865
Interest expenses	\$m	4 800	2 270	9 343	4 156
Other operating expenses	\$m	1 370	502	2 646	1 819
less					
Capitalised wages and salaries	\$m	320	770	75	131
<i>Total expenses</i>	\$m	<i>107 313</i>	<i>58 632</i>	<i>65 892</i>	<i>129 086</i>
Change in inventories	\$m	137	90	98	688
Earnings before interest tax depreciation and amortisation	\$m	21 321	18 703	27 975	^ 16 919
Operating profit before tax	\$m	14 204	10 353	^ 39 388	^ 24 701
Economic values					
Gross fixed capital formation	\$m	14 803	8 585	^ 13 825	^ 5 864
Capital expenditure(d)	\$m	17 937	9 063	^ 32 808	^ 9 713
Disposal of assets	\$m	2 120	376	32 169	2 090
Net capital expenditure	\$m	15 817	8 687	639	7 623
Industry value added	\$m	48 896	31 475	43 111	69 846
Industry ratios					
Profit margin	%	12.8	15.4	49.4	18.2
Interest coverage	times	4.4	8.2	3.0	4.1
Investment rate (value added)	%	36.7	28.8	76.1	13.9

^ estimate has a relative standard error of 10% to less than 25% and should be used with caution

(a) For scope details, see Explanatory Notes paragraphs 11–18.

(b) Includes rent, leasing and hiring income.

(c) Excludes the drawings of working proprietors.

(d) Includes the value of capital work done for own use in table 1.3.

2.2 INDUSTRY PERFORMANCE (a) *continued*

		Administrative and support services	Education and training (private)	Health care and social assistance (private)	Arts and recreation services
Income					
Sales and service income(b)	\$m	52 046	11 853	49 530	22 569
Funding from government for operational costs	\$m	4 141	7 415	13 406	988
Interest income	\$m	650	241	661	276
Other income	\$m	2 537	1 417	3 809	2 017
<i>Total income</i>	\$m	59 374	20 926	67 405	25 851
Expenses					
Selected labour costs(c)	\$m	28 843	10 824	27 787	4 498
Cost of sales	\$m	21 116	6 874	24 700	16 118
Depreciation and amortisation	\$m	1 657	534	1 558	921
Interest expenses	\$m	946	215	1 167	416
Other operating expenses	\$m	456	213	790	320
less					
Capitalised wages and salaries	\$m	110	8	122	23
<i>Total expenses</i>	\$m	52 884	18 666	55 916	22 253
Change in inventories	\$m	-26	14	34	4
Earnings before interest tax depreciation and amortisation	\$m	*5 881	^ 1 365	^ 9 780	^ 2 646
Operating profit before tax	\$m	^ 6 464	^ 2 274	^ 11 524	3 601
Economic values					
Gross fixed capital formation	\$m	^ 1 574	*1 900	^ 3 805	^ 2 012
Capital expenditure(d)	\$m	^ 2 371	*2 221	6 760	^ 2 421
Disposal of assets	\$m	551	266	1 776	125
Net capital expenditure	\$m	1 820	1 954	4 985	2 296
Industry value added	\$m	^ 35 448	12 543	39 585	8 247
Industry ratios					
Profit margin	%	12.4	19.2	23.3	16.0
Interest coverage	times	6.2	6.4	8.4	6.4
Investment rate (value added)	%	6.7	17.7	17.1	29.4

^ estimate has a relative standard error of 10% to less than 25% and should be used with caution

* estimate has a relative standard error of 25% to 50% and should be used with caution

(a) For scope details, see Explanatory Notes paragraphs 11–18.

(b) Includes rent, leasing and hiring income.

(c) Excludes the drawings of working proprietors.

(d) Includes the value of capital work done for own use in table 1.3.

2.2INDUSTRY PERFORMANCE (a) *continued*

		<i>Other services</i>	<i>Total selected industries(b)</i>
Income			
Sales and service income(c)	\$m	37 318	2 103 999
Funding from government for operational costs	\$m	2 561	40 490
Interest income	\$m	848	22 823
Other income	\$m	5 162	77 184
<i>Total income</i>	\$m	45 889	2 244 497
Expenses			
Selected labour costs(d)	\$m	12 898	381 750
Cost of sales	\$m	25 240	1 449 246
Depreciation and amortisation	\$m	987	67 137
Interest expenses	\$m	475	52 300
Other operating expenses	\$m	1 689	30 593
less			
Capitalised wages and salaries	\$m	100	4 720
<i>Total expenses</i>	\$m	41 199	1 981 641
Change in inventories	\$m	10	5 335
Earnings before interest tax depreciation and amortisation	\$m	**152	287 620
Operating profit before tax	\$m	*4 700	268 190
Economic values			
Gross fixed capital formation	\$m	^ 2 568	139 848
Capital expenditure(e)	\$m	^ 3 273	209 805
Disposal of assets	\$m	499	56 866
Net capital expenditure	\$m	2 774	152 939
Industry value added	\$m	18 124	712 030
Industry ratios			
Profit margin	%	12.6	12.7
Interest coverage	times	0.3	5.5
Investment rate (value added)	%	18.1	29.5

^ estimate has a relative standard error of 10% to less than 25% and should be used with caution

* estimate has a relative standard error of 25% to 50% and should be used with caution

** estimate has a relative standard error greater than 50% and is considered too unreliable for general use

(a) For scope details, see Explanatory Notes paragraphs 11–18.

(b) Excludes Division K FINANCIAL AND INSURANCE SERVICES and Division O PUBLIC ADMINISTRATION AND SAFETY.

(c) Includes rent, leasing and hiring income.

(d) Excludes the drawings of working proprietors.

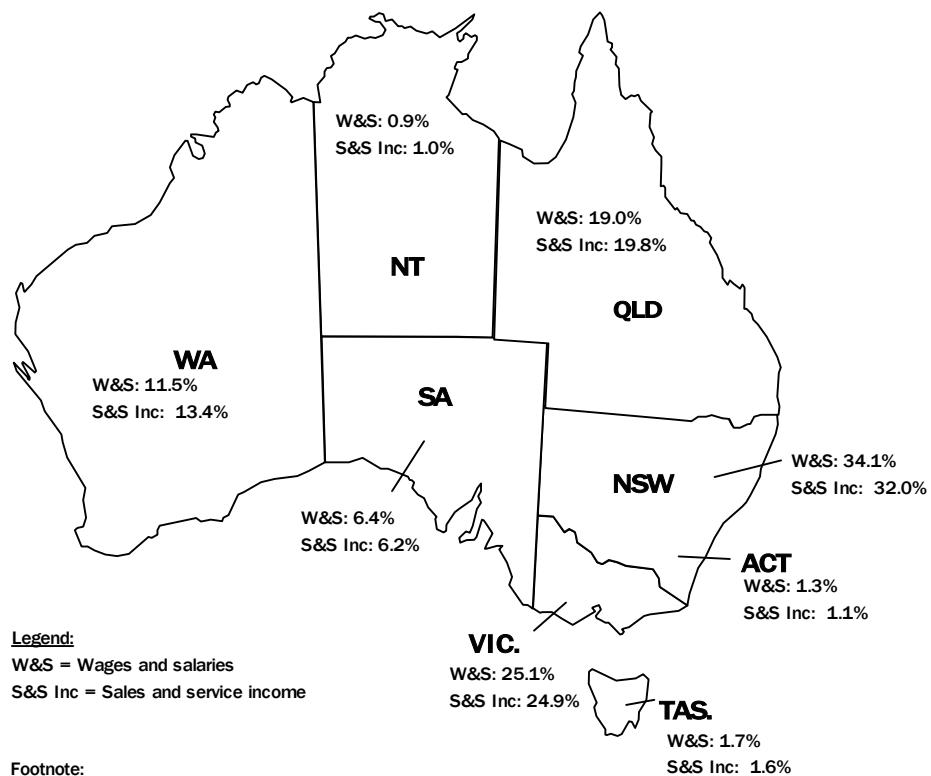
(e) Includes the value of capital work done for own use in table 1.3.

STATE AND TERRITORY ESTIMATES

Table 3.1 presents estimates of wages and salaries and sales and services income by industry, and by state and territory.

The graphic below illustrates each state or territory's share of wages and salaries and sales and services income, relative to TOTAL SELECTED INDUSTRIES in 2006–07. The distribution of wages and salaries and sales and service income is similar across states and territories, although Western Australia, Queensland and the Northern Territory contribute more to sales and service income than to wages and salaries.

STATE / TERRITORY CONTRIBUTION TO TOTAL SELECTED INDUSTRIES(a), 2006–07



When measured by share of sales and services income, five different industries predominated in the various jurisdictions. MANUFACTURING was the largest of the selected industries in 2006–07 in four states (Victoria, Queensland, South Australia and Tasmania). MANUFACTURING's sales and services income marginally exceeded that of WHOLESALE TRADE in Victoria. In New South Wales, WHOLESALE TRADE was the largest industry followed by MANUFACTURING. Western Australia's largest source of sales and services income was MINING, followed closely by MANUFACTURING. In the Northern Territory CONSTRUCTION

STATE AND TERRITORY
ESTIMATES *continued*

predominated this measure. RETAIL TRADE was the major source of sales and services income in the Australian Capital Territory.

In terms of wages and salaries, three industries predominated in the various jurisdictions. MANUFACTURING was the largest of the selected industries in 2006–07 in four states (Victoria, Queensland, South Australia and Tasmania). MINING (closely followed by MANUFACTURING and Construction) was largest in Western Australia, and PROFESSIONAL, SCIENTIFIC AND TECHNICAL SERVICES was largest in New South Wales, Northern Territory and Australian Capital Territory.

No industry was strongly predominant in any state or territory. When measured by sales and services income the predominance of the largest industry ranged from 16% (CONSTRUCTION in Northern Territory) to 22% (MANUFACTURING in South Australia).

3.1 STATES, TERRITORIES AND AUSTRALIA(a)

	Wages and salaries(b)	Sales and service income(c)
	\$m	\$m
NEW SOUTH WALES		
Agriculture, forestry and fishing	1 269	13 765
Mining	1 937	16 102
Manufacturing	14 711	111 206
Electricity, gas, water and waste services	2 459	17 133
Construction	9 846	65 777
Wholesale trade	10 718	123 018
Retail trade	8 970	92 406
Accommodation and food services	5 210	23 195
Transport, postal and warehousing	8 798	41 626
Information media and telecommunications	4 876	28 303
Rental, hiring and real estate services	3 972	29 507
Professional, scientific and technical services	17 915	52 071
Administrative and support services	8 641	19 987
Education and training (private)	3 792	4 480
Health care and social assistance (private)	7 833	16 841
Arts and recreation services	1 227	5 229
Other services	3 921	12 654
<i>Total selected industries(d)</i>	<i>116 096</i>	<i>673 299</i>

VICTORIA		
Agriculture, forestry and fishing	1 119	11 101
Mining	575	5 730
Manufacturing	15 500	104 978
Electricity, gas, water and waste services	1 282	14 392
Construction	7 263	51 043
Wholesale trade	7 577	103 542
Retail trade	7 505	71 274
Accommodation and food services	2 939	^ 12 808
Transport, postal and warehousing	5 392	27 876
Information media and telecommunications	2 907	19 118
Rental, hiring and real estate services	2 293	19 104
Professional, scientific and technical services	12 265	35 787
Administrative and support services	6 645	13 220
Education and training (private)	^ 2 379	2 868
Health care and social assistance (private)	6 044	11 671
Arts and recreation services	1 149	9 102
Other services	2 866	9 399
<i>Total selected industries(d)</i>	<i>85 701</i>	<i>523 012</i>

^ estimate has a relative standard error of 10% to less than 25% and should be used with caution

(a) See Technical Note 1, paragraph 20.

(b) Includes capitalised wages and salaries; excludes the drawings of working proprietors.

(c) Includes rent, leasing and hiring income.

(d) Excludes Division K FINANCIAL AND INSURANCE SERVICES and Division O PUBLIC ADMINISTRATION AND SAFETY.

3.1 STATES, TERRITORIES AND AUSTRALIA(a) *continued*

	Wages and salaries(b)	Sales and service income(c)
	\$m	\$m
.....		
QUEENSLAND		
Agriculture, forestry and fishing	1 227	12 634
Mining	3 247	29 477
Manufacturing	9 229	70 532
Electricity, gas, water and waste services	1 940	12 950
Construction	7 504	54 879
Wholesale trade	4 259	62 847
Retail trade	5 622	59 532
Accommodation and food services	2 935	13 019
Transport, postal and warehousing	4 498	21 670
Information media and telecommunications	1 366	7 953
Rental, hiring and real estate services	2 411	16 735
Professional, scientific and technical services	6 413	21 453
Administrative and support services	4 375	^ 8 778
Education and training (private)	1 572	1 824
Health care and social assistance (private)	5 155	9 807
Arts and recreation services	867	4 656
Other services	2 258	7 358
<i>Total selected industries(d)</i>	64 877	416 103

.....		
SOUTH AUSTRALIA		
Agriculture, forestry and fishing	603	5 408
Mining	726	5 310
Manufacturing	4 595	28 590
Electricity, gas, water and waste services	447	6 141
Construction	1 657	10 857
Wholesale trade	1 366	19 972
Retail trade	2 066	20 368
Accommodation and food services	892	^ 3 828
Transport, postal and warehousing	1 509	6 178
Information media and telecommunications	590	3 852
Rental, hiring and real estate services	533	3 511
Professional, scientific and technical services	1 778	6 097
Administrative and support services	^ 1 628	3 376
Education and training (private)	^ 658	822
Health care and social assistance (private)	1 790	3 821
Arts and recreation services	217	870
Other services	746	2 185
<i>Total selected industries(d)</i>	21 801	131 184

^ estimate has a relative standard error of 10% to less than 25% and should be used with caution

(a) See Technical Note 1, paragraph 20.

(b) Includes capitalised wages and salaries; excludes the drawings of working proprietors.

(c) Includes rent, leasing and hiring income.

(d) Excludes Division K FINANCIAL AND INSURANCE SERVICES and Division O PUBLIC ADMINISTRATION AND SAFETY.

3.1 STATES, TERRITORIES AND AUSTRALIA(a) *continued*

	Wages and salaries(b)	Sales and service income(c)
	\$m	\$m
.....		
WESTERN AUSTRALIA		
Agriculture, forestry and fishing	682	7 248
Mining	5 067	54 789
Manufacturing	4 831	52 236
Electricity, gas, water and waste services	800	6 404
Construction	4 793	33 896
Wholesale trade	2 245	32 832
Retail trade	2 733	33 034
Accommodation and food services	1 638	^ 6 503
Transport, postal and warehousing	2 155	10 489
Information media and telecommunications	704	4 449
Rental, hiring and real estate services	1 406	8 311
Professional, scientific and technical services	4 562	^ 15 083
Administrative and support services	2 715	4 971
Education and training (private)	^ 980	1 330
Health care and social assistance (private)	2 350	5 220
Arts and recreation services	352	1 779
Other services	1 223	3 863
<i>Total selected industries(d)</i>	39 236	282 437

.....		
TASMANIA		
Agriculture, forestry and fishing	335	2 098
Mining	96	1 095
Manufacturing	1 001	6 950
Electricity, gas, water and waste services	221	np
Construction	450	2 531
Wholesale trade	^ 326	4 381
Retail trade	553	5 527
Accommodation and food services	^ 301	^ 1 371
Transport, postal and warehousing	344	1 676
Information media and telecommunications	180	1 711
Rental, hiring and real estate services	157	757
Professional, scientific and technical services	376	1 195
Administrative and support services	331	^ 556
Education and training (private)	163	np
Health care and social assistance (private)	579	1 001
Arts and recreation services	98	*469
Other services	187	575
<i>Total selected industries(d)</i>	5 698	33 659

^ estimate has a relative standard error of 10% to less than 25% and should be used with caution

* estimate has a relative standard error of 25% to 50% and should be used with caution

np not available for publication but included in totals where applicable, unless otherwise indicated

(a) See Technical Note 1, paragraph 20.

(b) Includes capitalised wages and salaries; excludes the drawings of working proprietors.

(c) Includes rent, leasing and hiring income.

(d) Excludes Division K FINANCIAL AND INSURANCE SERVICES and Division O PUBLIC ADMINISTRATION AND SAFETY.

3.1 STATES, TERRITORIES AND AUSTRALIA(a) *continued*

	<i>Wages and salaries(b)</i>	<i>Sales and service income(c)</i>
	\$m	\$m
.....		
NORTHERN TERRITORY		
Agriculture, forestry and fishing	86	519
Mining	133	3 063
Manufacturing	284	2 893
Electricity, gas, water and waste services	86	np
Construction	310	3 228
Wholesale trade	^ 128	1 687
Retail trade	264	2 742
Accommodation and food services	241	926
Transport, postal and warehousing	^ 278	1 074
Information media and telecommunications	62	328
Rental, hiring and real estate services	125	656
Professional, scientific and technical services	^ 333	^ 1 138
Administrative and support services	146	^ 328
Education and training (private)	^ 118	np
Health care and social assistance (private)	209	265
Arts and recreation services	62	235
Other services	129	367
<i>Total selected industries(d)</i>	<i>2 995</i>	<i>20 231</i>

.....
AUSTRALIAN CAPITAL TERRITORY

Agriculture, forestry and fishing	^ 12	76
Mining	8	40
Manufacturing	204	1 254
Electricity, gas, water and waste services	160	^ 1 782
Construction	351	3 975
Wholesale trade	167	2 026
Retail trade	405	^ 4 310
Accommodation and food services	237	^ 1 054
Transport, postal and warehousing	149	702
Information media and telecommunications	225	1 310
Rental, hiring and real estate services	157	1 186
Professional, scientific and technical services	1 129	3 228
Administrative and support services	400	830
Education and training (private)	156	251
Health care and social assistance (private)	451	^ 905
Arts and recreation services	70	228
Other services	281	917
<i>Total selected industries(d)</i>	<i>4 562</i>	<i>24 074</i>

^ estimate has a relative standard error of 10% to less than 25% and should be used with caution

np not available for publication but included in totals where applicable, unless otherwise indicated

(a) See Technical Note 1, paragraph 20.

(b) Includes capitalised wages and salaries; excludes the drawings of working proprietors.

(c) Includes rent, leasing and hiring income.

(d) Excludes Division K FINANCIAL AND INSURANCE SERVICES and Division O PUBLIC ADMINISTRATION AND SAFETY.

3.1STATES, TERRITORIES AND AUSTRALIA(a) *continued*

	<i>Wages and salaries(b)</i>	<i>Sales and service income(c)</i>
	\$m	\$m
..... AUSTRALIA		
Agriculture, forestry and fishing	5 333	52 850
Mining	11 790	115 606
Manufacturing	50 357	378 640
Electricity, gas, water and waste services	7 395	61 073
Construction	32 175	226 185
Wholesale trade	26 787	350 303
Retail trade	28 118	289 193
Accommodation and food services	14 393	62 702
Transport, postal and warehousing	23 125	111 291
Information media and telecommunications	10 909	67 023
Rental, hiring and real estate services	11 054	79 765
Professional, scientific and technical services	44 772	136 051
Administrative and support services	24 881	52 046
Education and training (private)	9 818	11 853
Health care and social assistance (private)	24 411	49 530
Arts and recreation services	4 041	22 569
Other services	11 611	37 318
<i>Total selected industries(d)</i>	<i>340 968</i>	<i>2 103 999</i>

(a) See Technical Note 1, paragraph 20.

(b) Includes capitalised wages and salaries; excludes the drawings of working proprietors.

(c) Includes rent, leasing and hiring income.

(d) Excludes Division K FINANCIAL AND INSURANCE SERVICES and Division O PUBLIC ADMINISTRATION AND SAFETY.

EXPLANATORY NOTES

INTRODUCTION

1 This publication, *Australian Industry, 2006–07* (cat. no. 8155.0), presents estimates of the economic and financial performance of Australian industry in 2006–07. The estimates have been derived using a combination of directly collected data from the annual Economic Activity Survey (EAS), conducted by the Australian Bureau of Statistics (ABS), and Business Activity Statement (BAS) data provided by businesses to the Australian Taxation Office (ATO).

2 This publication represents the first release of these estimates using the 2006 edition of the *Australian and New Zealand Standard Industrial Classification (ANZSIC)* (cat. no. 1292.0). Because of the combined effect of this new classification and methodological changes, a new series has commenced with the 2006–07 data. See Technical Note 1 for further details.

DATA AVAILABILITY ISSUES

3 As explained in paragraphs 10–19 in Technical Note 1, the collection design for 2006–07 now utilises ATO Business Activity Statement data as auxiliary information to assist in the stratification of the business population and in the estimation methodology, which has been changed to generalised regression estimation. As this collection is in a transition phase, the focus has been to concentrate on a selected subset of the data items traditionally released in this publication. As the new processes and systems are firmly established, the full range of data items, including employment and business counts, are expected to be reinstated in future releases.

4 Experimental estimates at the ANZSIC class level have also traditionally been released in past editions of this publication. With the move away from ATO Business Income Tax data to the more timely ATO Business Activity Statement data for collection design and estimation, the ABS is still developing and validating its new experimental ANZSIC class level series. It is also expected that ANZSIC class level estimates will be reinstated in future releases.

5 The associated data spreadsheets have in the past contained time series at the ANZSIC subdivision level. It was intended to release similar detail for 2006–07, but bridging the effects of the new ANZSIC, collection design and estimation methodology to the earlier data series has been difficult (see paragraph 22 in Technical Note 1), and the data is not considered reliable enough to publish at this time. There may be cases where some ANZSIC subdivision data are available for release, but only if requested by users. Such requests should be made to the contact officer listed on the front page of the publication and will be considered on a case by case basis.

STATISTICAL UNITS USED

6 Statistical units are those entities from which statistics are collected, or about which statistics are compiled. In ABS economic statistics, the statistical unit is generally the business. All businesses in the EAS are recorded on the ABS Business Register (ABSBR).

7 The ABS uses an economic statistics units model on the ABSBR to describe the characteristics of businesses, and the structural relationships between related businesses. Within large and diverse business groups, the units model is used also to define reporting units that can provide data to the ABS at suitable levels of detail.

8 This units model allocates businesses to one of two sub-populations:

STATISTICAL UNITS USED

continued

- Most businesses and organisations in Australia need to obtain an Australian Business Number (ABN). The vast majority of businesses are simple in structure and are allocated to the population which is maintained by the ATO. These are termed (by the ABS) ABN units.

- The remaining businesses are in the ABS maintained population, and are termed type of activity units, or TAUs.

9 Together these two sub-populations (of ABN units and TAUs) make up the ABSBR population, from which the EAS samples are taken.

10 For details about the ABSBR and how ABN units and TAUs contribute to the industry statistics in this publication, see Technical Note 1.

SCOPE

11 The businesses that contribute to the statistics in this publication are classified:

- by institutional sector, in accordance with the Standard Institutional Sector Classification of Australia (SISCA), which is detailed in *Standard Economic Sector Classifications of Australia (SESCA)* (cat. no. 1218.0)
- by industry, in accordance with the *Australian and New Zealand Standard Industrial Classification (ANZSIC)*, 2006 edition (cat. no. 1292.0).

12 The scope of the EAS estimates in this publication consists of all business entities in the Australian economy, except for:

- in most industries, entities classified to SISCA Sector 3 GENERAL GOVERNMENT. This exclusion particularly affects data presented for EDUCATION AND TRAINING and HEALTH CARE AND SOCIAL ASSISTANCE (ANZSIC Divisions P and Q, respectively), in that the estimates relate only to private sector businesses. For the same reason, data for ANZSIC Division O PUBLIC ADMINISTRATION AND SAFETY are also excluded. However, SISCA Sector 3 GENERAL GOVERNMENT businesses classified to WATER SUPPLY, SEWERAGE AND DRAINAGE SERVICES (ANZSIC Subdivision 28, within Division D) are included, so that the estimates include data for (for example) relevant local government TAUs;
- entities classified to ANZSIC Division K FINANCIAL AND INSURANCE SERVICES.

13 Note that government-owned or controlled Public Trading Enterprises are included.

COVERAGE

14 The ANZSIC-based industry statistics presented in this publication are compiled differently from activity statistics. Each ABN unit or TAU on the ABSBR has been classified (by the ATO and the ABS respectively) to a single industry class irrespective of any diversity of activities undertaken. The industry class allocated is the one which provides the main source of income.

15 Some businesses engage, to a significant extent, in activities which are normally carried out by different industries. For example, a predominantly mining business may also undertake significant amounts of manufacturing. Similarly, a mining business may produce significant volumes of goods which are normally produced in different mining industries. Where a business makes a significant economic contribution to industries classified to different ANZSIC subdivisions, the ABS includes the business in the ABS maintained population, and 'splits' the TAU's reported data between the industries involved. Significance is determined using total income.

16 A TAU's reported data will be split if the inclusion of data relating to the secondary activity in the statistics for the industry of the primary activity distorts (by overstating or understating) either the primary or secondary industry statistics at the ANZSIC subdivision level by:

- 3% or more, where the industries of the primary and secondary activities are in the same ANZSIC division
- 2% or more, where the industries of the primary and secondary activities are in different ANZSIC divisions.

COVERAGE *continued*

17 The ABS attempts to maintain a current understanding of the structure of the large, complex and diverse business groups that form the ABS maintained population on the ABSBR, through direct contact with those businesses. Resultant changes in their structures on the ABSBR can affect:

- the availability of such businesses (or units within them) for inclusion in the annual economic collections
- the delineation of the units, within those groups, for which data are to be reported.

18 The ABS attempts to obtain data for those businesses selected for direct collection and which ceased operation during the year, but it is not possible to obtain data for all of them.

IMPROVEMENTS TO
COVERAGE

19 Data in this publication have been adjusted to allow for lags in processing new businesses to the ABSBR. The effect of these adjustments is generally 4% or less for most ANZSIC industry divisions and for most states and territories.

ANZSIC93 AND ANZSIC06

20 The estimates in this publication are based on ANZSIC06. Data in previous issues were based on the 1993 version of the ANZSIC (ANZSIC93). ANZSIC06 was adopted to provide a more contemporary industrial classification system, taking into account issues such as changes in the structure and composition of the economy, changing user demands and compatibility with international classification standards.

21 ANZSIC06 contains 19 industry divisions, compared to 17 under ANZSIC93. The PROPERTY AND BUSINESS SERVICES DIVISION in ANZSIC93 has been rearranged into three divisions: RENTAL, HIRING AND REAL ESTATE SERVICES; PROFESSIONAL, SCIENTIFIC AND TECHNICAL SERVICES; and ADMINISTRATIVE SUPPORT SERVICES. Also, several divisions were renamed to better reflect their composition or the terminology in current usage.

22 The number of subdivisions increased from 53 under ANZSIC93 to 86 under ANZSIC06, with substantial increases also occurring at group and class levels.

23 Apart from the changes mentioned above, the restructuring of the ANZSIC has resulted in considerable reclassification of businesses between divisions. For example, units primarily engaged in publishing or the combined activity of publishing and printing classified to Division C MANUFACTURING under ANZSIC93 are now classified to Division J INFORMATION MEDIA AND TELECOMMUNICATIONS under ANZSIC06. Units mainly engaged in repairing and/or maintaining equipment and machinery previously classified to Division C MANUFACTURING, are now classified under the REPAIR AND MAINTENANCE subdivision within Division S OTHER SERVICES.

24 For further details, see *Australian and New Zealand Standard Industrial Classification (ANZSIC), 2006* (cat. no. 1292.0).

HISTORICAL COMPARISONS

25 To provide comparability with the 2006–07 estimates, the estimates for 2004–05 and 2005–06 presented in table 1.1 take into account the various changes in collection design, estimation methodology and scope, as well as the introduction of ANZSIC06. Although systems were primarily designed to produce estimates at industry division level for the key data variables contained in table 1.1, additional information may be available on request. For further information on the process of producing these historical estimates please see Technical Note 1 paragraph 22.

SURVEY SAMPLE DESIGN

26 A sample of 20,781 businesses was selected for the directly collected part of the 2006–07 EAS collection. Each business was asked to provide data sourced primarily from financial statements, mainly by mail out questionnaires. Businesses were also asked to supply key details of their operations by state and territory, enabling the production of the state/territory estimates contained in table 3.1

27 Auxiliary information about wages and salaries and turnover for 2,008,430 businesses (including those sampled), sourced from Australian Tax Office (ATO)

SURVEY SAMPLE DESIGN

continued

Business Activity Statement (BAS) data, were used to improve the estimates produced from the survey data. Section 16(4)(ga) of the *Income Tax Assessment Act 1936* provides for the ATO to pass information to the Australian Statistician for the purposes of the *Census and Statistics Act 1905*.

REFERENCE PERIOD

28 The period covered by each collection is, in general, the 12 months ended 30 June. Where businesses are unable to supply information on this basis, an accounting period for which data can be provided is used. Such businesses make a substantial contribution to some of the estimates presented in this publication. As a result, the estimates can reflect trading conditions that prevailed in periods outside the twelve months ended June in the relevant year.

29 Financial data presented incorporate all units in scope of the EAS collection that were in operation at any time during the year. They also include any temporarily inactive units, i.e. those units which were in the development stage or which were not in operation, but which still existed and held assets and liabilities and/or incurred some non-operating expenses (e.g. depreciation, administration costs).

RELIABILITY OF ESTIMATES

30 In an estimate based on a sample survey there are two types of error possible: sampling error and non-sampling error.

31 Sampling error occurs because a sample, rather than the entire population, is surveyed. One measure of the likely difference resulting from not including all businesses in the survey is given by the standard error. There are about two chances in three that a sample estimate will differ by less than one standard error from the figure that would have been obtained if all businesses had been included in the survey, and about nineteen chances in twenty that the difference will be less than two standard errors. Standard errors for the current estimates of key variables are shown in Technical Note 2.

32 Non-sampling error arises from inaccuracies in collecting, recording and processing the data. The most significant of these errors are: misreporting of data items; deficiencies in coverage; non-response; and processing errors. Every effort is made to minimise reporting error by the careful design of questionnaires and efficient data processing procedures.

33 For more detailed information about this subject, see Technical Note 2.

QUALITY INDICATORS

34 In the 2006–07 survey of Australian industry, there was a 90.1% response rate from all businesses that were surveyed and found to be operating during the reference period. Data were imputed for the remaining 9.9% of operating businesses. This imputation contributed 7.9% to the estimate of sales and service income for TOTAL SELECTED INDUSTRIES.

INDUSTRY PERFORMANCE MEASURES

35 This publication presents a wide range of data that can be used to analyse business and industry performance.

36 Differences in accounting policy and practices across businesses and industries can lead to some inconsistencies in the data input to the statistics. Although much of the accounting process is subject to standards, there is still a great deal of flexibility left to individual managers and accountants in the accounting policies and practices that they adopt. For example, the way profit is measured is affected by management policy about such issues as depreciation rates, bad debt provisions and write off, and goodwill write off. The varying degree to which businesses consolidate their accounts may also affect any industry performance measures calculated.

37 A range of performance measures, usually referred to as ratios, can be produced from the data available from businesses' financial statements. The performance measures presented in this publication comprise:

- profitability ratios, which measure rates of profit on sales

INDUSTRY PERFORMANCE

MEASURES *continued*

- debt ratios, which indicate the ability of businesses to meet the cost of debt financing
- investment ratios, which indicate the capacity of business to invest in capital assets.

38 A further explanation of each ratio can be found in the Glossary.

39 The above limitations are not meant to imply that analysis based on these data should be avoided, only that they should be borne in mind when interpreting the data presented in this publication.

INDUSTRY VALUE ADDED

40 Industry value added is the measure of the contribution by businesses in each industry to gross domestic product. Table 1.3 presents estimates of the components of industry value added for all industries that are within the scope of the collection.

41 The presentation of industry value added in this table is relevant to those businesses that are classified as 'market' producers, that is, businesses which sell their output at economically significant prices. Industry value added is derived in a different way for non-market producers. The industries in which non-market producers make the most significant contribution to industry value added are HEALTH CARE AND SOCIAL ASSISTANCE (PRIVATE) and OTHER SERVICES. See the Glossary item for detailed definitions.

INTERNATIONAL FINANCIAL
REPORTING STANDARDS

42 The new Australian equivalents to International Financial Reporting Standards (AIFRS) began to be progressively implemented in Australia from 1 January 2005. As a result, a number of items in the financial accounts of Australian businesses have been affected by changed definitions, which have in turn affected both Income Statements and Balance Sheets. A range of ABS economic collections source data from financial accounts of businesses, and use those data to derive economic statistics. There have been no changes in the associated economic definitions.

43 After monitoring data items since March quarter 2005 it has been concluded that most affected published data series have been affected by data breaks, but that the magnitude of such breaks cannot be determined without imposing disproportionate load upon data providers to ABS surveys and other administratively collected data. ABS will continue to monitor developments and report any significant identified impacts or changes in methodology as a result of AIFRS.

ROUNDING

44 Where figures have been rounded, discrepancies may occur between totals and the sums of the component items. Due to data being adjusted for lags in processing new businesses to the ABSBR (see Explanatory Notes paragraph 19), this 'rounding rule' also applies to counts of businesses.

45 Proportions, ratios and other calculated figures shown in this publication have been calculated using unrounded estimates and may be different from, but are more accurate than, calculations based on the rounded estimates.

ACKNOWLEDGMENT

46 ABS publications draw extensively on information provided freely by individuals, businesses, governments and other organisations. Their continued cooperation is very much appreciated: without it, the wide range of statistics published by the ABS would not be available. Information received by the ABS is treated in strict confidence as required by the *Census and Statistics Act 1905*.

RELATED PUBLICATIONS

47 Users may also wish to refer to the following publications:
Electricity, Gas, Water, and Waste Services, Australia, 2006–07,
 cat. no.8226.0, released on 9 July 2008 – Annual publication
Manufacturing Industry, Australia, 2006–07, cat. no. 8221.0, released on
 6 August 2008 – Annual publication
Mining Operations, Australia, 2006–07, cat. no. 8415.0,
 released on 22 July 2008 – Annual publication

48 A range of publications presenting detailed results of surveys of selected service industries are also produced by the ABS. In general, these publications contain considerable detail about the employing sector of each industry.

Accommodation Services, Australia, 2006–07, cat. no. 8695.0,
 released on 25 June 2008 – Irregular publication
Cafes, Restaurants and Catering Services, Australia, 2006–07, cat. no. 8655.0,
 released on 28 April 2008 – Irregular publication
Performing Arts, Australia, 2006–07, cat. no. 8697, released on 28 May 2008,
 – Irregular publication
*Television, Film and Video Production and Post-Production Services, Australia,
 2006–07*, cat. no. 8679.0, released on 22 July 2008 – Irregular publication
Digital Game Development Services, Australia, 2006–07, cat. no. 8515.0,
 released on 8 April 2008 – Irregular publication
Information and Communication Technology, Australia, 2006–07, cat. no. 8126.0,
 released on 7 October 2008 – Biennial publication.

49 For a list of publications and electronic releases that present data about Australian industry using ANZSIC93, please refer to the 2005–06 edition of this publication.

50 Current publications and other products released by the ABS are available from the Statistics View on the ABS web site. The ABS also issues a daily Release Advice on the web site which details products to be released in the week ahead.

ABS DATA AVAILABLE ON
REQUEST

51 As well as the statistics included in this and related publications, the ABS may have other relevant data available on request and for a charge. Inquiries should be made to the National Information and Referral Service on 1300 135 070.

ABBREVIATIONS

\$'000	thousand dollars
\$b	billion (thousand million) dollars
\$m	million dollars
ABN	Australian Business Number
ABR	Australian Business Register
ABS	Australian Bureau of Statistics
ABSBR	Australian Bureau of Statistics Business Register
ABSMP	Australian Bureau of Statistics maintained population
ACT	Australian Capital Territory
ANZSIC	Australian and New Zealand Standard Industrial Classification
ATO	Australian Taxation Office
ATOMP	Australian Taxation Office maintained population
Aust.	Australia
BAS	Business Activity Statement
EAS	Economic Activity Survey
EBITDA	earnings before interest, tax, depreciation and amortisation
GFCF	gross fixed capital formation
GST	goods and services tax
IVA	industry value added
m	million
n.e.c.	not elsewhere classified
no.	number
NSW	New South Wales
NT	Northern Territory
OPBT	operating profit before tax
PAYGW	pay-as-you-go withholding
Qld	Queensland
RSE	relative standard error
SA	South Australia
SISCA	Standard Institutional Sector Classification of Australia
Tas.	Tasmania
TAU	type of activity unit
TNTS	The New Tax System
Vic.	Victoria
WA	Western Australia

TECHNICAL NOTE 1 **METHODOLOGY**

INTRODUCTION

1 The estimates in this publication are produced using a combination of ABS directly collected data and Business Activity Statement (BAS) data sourced from the Australian Taxation Office (ATO).

2 The directly collected data have been reported by a sample of businesses, as recorded on the ABS Business Register (ABSBR). The ABS uses an economic statistics units model on the ABSBR to describe the characteristics of businesses, and the structural relationships between related businesses. Within large and diverse business groups, the units model is also used to define reporting units that can provide data to the ABS at suitable levels of detail.

STATISTICAL UNITS DEFINED ON THE ABS BUSINESS REGISTER

3 The current economic statistics units model was introduced in mid 2002, to better use the information available as a result of The New Tax System (TNTS). This units model allocates businesses to one of two sub-populations. The vast majority of businesses are in what is called the ATO maintained population, while the remaining businesses are in the ABS maintained population. Together, these two sub-populations make up the ABSBR population.

ATO MAINTAINED POPULATION

4 Most businesses and organisations in Australia need to obtain an Australian Business Number (ABN). They are then included on the whole-of-government register of businesses, the Australian Business Register (ABR), which is maintained by the ATO. Most of these businesses have simple structures; therefore, the unit registered for an ABN will satisfy ABS statistical requirements. For these businesses, the ABS has aligned its statistical units structure with the ABN unit. The businesses with simple structures constitute the ATO maintained population (ATOMP), and the ABN unit is used as the statistical unit for all ABS economic collections.

ABS MAINTAINED POPULATION

5 For the population of businesses where the ABN unit is not suitable for ABS statistical requirements, the ABS maintains its own units structure through direct contact with the business. These businesses constitute the ABS maintained population (ABSMP). This population consists typically of large, complex and diverse businesses. The statistical units model described below caters for such businesses.

■ *Enterprise group*: This is a unit covering all the operations in Australia of one or more legal entities under common ownership and/or control. It covers all the operations in Australia of legal entities which are related in terms of the current Corporations Law (as amended by the *Corporations Legislation Amendment Act 1991*), including legal entities such as companies, trusts and partnerships. Majority ownership is not required for control to be exercised.

■ *Enterprise*: An institutional unit comprising:

- a single legal entity or business entity, or
- more than one legal entity or business entity within the same enterprise group and in the same institutional sub-sector (i.e. they are all classified to a single Standard Institutional Sector Classification of Australia (SISCA) sub-sector).

ABS MAINTAINED
POPULATION *continued*

■ *Type of activity unit (TAU):* The TAU comprises one or more business entities, sub-entities or branches of a business entity within an enterprise group that can report production and employment data for similar economic activities. When a minimum set of data items are available, a TAU is created which covers all the operations within an industry subdivision (and the TAU is classified to the relevant subdivision of the ANZSIC). Where a business cannot supply adequate data for each industry, a TAU is formed which contains activity in more than one industry subdivision.

CONTRIBUTION OF THE
STATISTICAL UNITS TO THE
ESTIMATES

6 The following paragraphs outline the way in which categories of statistical units contribute to the estimates of financial and economic variables presented in this publication.

TAUs

7 All units in the ABS maintained population (i.e. TAUs) were eligible to be selected for direct collection. Direct collection of data from these units is necessary because:

- many large and complex employing businesses have more than one legal entity, making it difficult to identify all legal entities for that business in the BAS data
- BAS data do not include all of the detailed information that the ABS requires from large and complex businesses.

ABN units

8 The balance of units on the ABSBR were ABN units, from the ATO maintained population.

9 An indication of the importance of these populations can be gained from their contribution to the national estimate of sales and service income for TOTAL SELECTED INDUSTRIES. The following table shows their proportional contributions to sales and service income.

CONTRIBUTION TO SALES AND SERVICE INCOME

	ABN		Total
	TAU	unit	
	%	%	%
Agriculture, forestry and fishing	16	84	100
Mining	89	12	100
Manufacturing	69	31	100
Electricity, gas, water and waste services	90	10	100
Construction	27	73	100
Wholesale trade	50	50	100
Retail trade	49	51	100
Accommodation and food services	21	79	100
Transport, postal and warehousing	52	48	100
Information media and telecommunications	82	18	100
Rental, hiring and real estate services	14	87	100
Professional, scientific and technical services	28	72	100
Administrative and support services	33	68	100
Education and training (private)	20	80	100
Health care and social assistance (private)	31	69	100
Arts and recreation services	55	45	100
Other services	20	80	100
Total selected industries	49	51	100

COLLECTION DESIGN

10 In order to decrease the statistical reporting load placed on providers while maintaining the range and quality of information available to users of statistical data, the strategy for this survey was to adopt the use of directly collected data from a smaller sample of businesses, in combination with information sourced from the ATO. The frame (from which the direct collect sample was selected) was stratified using information held on the ABS Business Register. Businesses eligible for selection in the direct collect sample were then selected from the frame using stratified random sampling techniques.

11 Businesses were selected to participate in the survey (the direct collect sample) only if their turnover exceeded a threshold level or the business was identified as having been an employing business (based on ATO information) during the reference period. Turnover thresholds were set for each ANZSIC class so that the contribution of surveyed businesses accounted for 97.5% of total industry class turnover as determined by ATO Business Activity Statement data.

12 Businesses which met neither of these criteria are referred to as 'micro non-employing businesses'. These businesses were not eligible for selection in the sample. For these units, BAS data were obtained and annualised, then added to the directly collected estimates to produce the statistics in this publication. The total estimated value of annual turnover of micro non-employing businesses during the 2006–07 reference year, as determined by ATO Business Activity Statement data, was \$41.1b.

ESTIMATION METHODOLOGY

13 Estimates from previous iterations of this survey were produced using number raised estimation methodology. The 2006–07 survey used generalised regression estimation. This estimation method enables maximum use of observed linear relationships between data directly collected from businesses in the survey and auxiliary information. When the auxiliary information is strongly correlated with data items collected in a survey, the generalised regression estimation methodology will improve the accuracy of the estimates. The auxiliary variables used in this survey were turnover and wages sourced from ATO Business Activity Statement data.

PRODUCING ESTIMATES

14 The following diagram illustrates the ways in which Australian businesses contribute to the estimates in this publication.

PRODUCING ESTIMATES

continued

Summary of Data Sources, 2006–07

Total Selected Industries			
Type of business	Completely Enumerated (CE) Stream	Generalised Regression (GREG) Estimation Stream	Business Activity Statement (BAS) Stream
The source used to identify businesses of each type	ABS Business Register	ABS Business Register	ABS Business Register
The number of each type of business	3,722	1,286,103	718,605
Sources of data	ABS survey	ABS Survey and ATO Business Activity Statements	ATO Business Activity Statements
The number of businesses that are selected to provide data	3,722	17,059	718,605
Contribution to total income for total selected industries	49%	49%	2%

DATA STREAMING

Completely enumerated (CE) stream:

Generalised regression (GREG) estimation stream:

Business Activity Statement (BAS) stream:

15 For the purpose of compiling the estimates in this publication, data for businesses as recorded on the ABSBR contribute via one of three categories (or 'streams') in accordance with significance and collection-related characteristics.

16 The CE stream consists of directly collected survey data for those units recorded on the ABSBR as having employment greater than 300, plus additional 'significant' units in the ABS maintained population and units significant to small state estimates..

17 The GREG stream comprises directly collected data for those sampled units which are not in the CE stream and have turnover, in aggregate, above the bottom 2.5 percentile of BAS sales for that industry. The accuracy of the estimates produced from this data is then improved by using wages and turnover data sourced from businesses' BAS data.

18 The BAS stream comprises data for those businesses in the ATO maintained population whose turnover, in aggregate, is below the bottom 2.5 percentile of BAS sales for that industry.

19 Estimates for each of the selected industries were produced by aggregating the contributing data streams.

STATE AND TERRITORY ESTIMATES

20 A small component of the sample survey was not specifically designed to produce state estimates. For these units state data was apportioned utilising BAS data obtained from the ATO. For the remainder of sampled units, direct collected data was used. For the remainder of sampled units, a question on the survey form requesting state break ups of wages and salaries and sales and service income was used. This is the first time this has been done in the EAS collection. Previous issues of this publication used factors to model that range of state data and published the results as 'experimental estimates'. The state data produced in 2006-07 is considered to be of a higher quality and not deemed experimental.

BUSINESS SIZE ESTIMATES

21 For consistency, business size estimates have been presented using the same size categories as in previous issues, except for non-employing businesses which have been classified as small businesses. As a result of methodological changes introduced in 2006-07, stratification boundaries no longer align as closely with these size ranges. As a consequence the relative standard errors (RSE) for business size may be higher than in previous issues.

HISTORICAL ESTIMATES

22 Data collected for 2004-05 and 2005-06 (under ANZSIC93) have been updated to take account of any revisions to the data since they were published in the previous issue of this publication. The data so revised have then been mapped to ANZSIC06, and further adjusted to incorporate the scope changes outlined in Explanatory Notes paragraph 9 and the methodological changes discussed in this chapter. This process is known as 'bridging' and was used to create the key data items presented in table 1.1.

TECHNICAL NOTE 2 DATA RELIABILITY

INTRODUCTION

1 The Economic Activity Survey is, in part, a sample survey designed primarily to deliver national estimates for all industry divisions within the scope of the collection. Estimates at the state and territory level for industry divisions are also produced, but the sample survey was not specifically designed for these purposes.

SAMPLING ERROR

2 The majority of data contained in this publication have been obtained from a sample of businesses. As such, these data are subject to sampling variability; that is, they may differ from the figures that would have been produced if the data had been obtained from all businesses in the population. The measure of the likely difference as used by the ABS is given by the standard error, which indicates the extent to which an estimate might have varied by chance because the data were obtained from only a sample of units. There are about two chances in three that a sample estimate will differ by less than one standard error from the figure that would have been obtained if the data had been obtained from all units, and about 19 chances in 20 that the difference will be less than two standard errors.

3 The standard error can also be expressed as a percentage of the estimate, and this is known as the relative standard error (RSE). RSEs at the industry division level for Australia for selected data items representing the full range of data contained in this publication are shown in the table below. Detailed relative standard errors can be made available on request.

RELATIVE STANDARD ERRORS

	<i>Total income</i>	<i>Total expenses</i>	<i>Industry value added</i>	<i>Sales and service income</i>	<i>Wages and salaries</i>
	%	%	%	%	%
Agriculture, forestry and fishing	5.8	6.2	11.3	6.2	5.5
Mining	0.8	1.1	0.8	0.8	1.4
Manufacturing	0.7	0.7	0.7	0.7	0.8
Electricity, gas, water and waste services	1.0	1.0	1.4	1.0	1.1
Construction	4.3	5.0	7.9	4.4	6.9
Wholesale trade	3.0	3.0	4.1	3.0	3.7
Retail trade	4.1	4.0	5.9	4.3	4.2
Accommodation and food services	9.0	8.3	7.2	9.2	5.7
Transport, postal and warehousing	2.1	2.3	3.5	2.3	2.6
Information Media and Telecommunications	2.0	2.3	1.8	2.0	3.5
Rental, hiring and real estate services	4.2	5.3	5.5	4.8	6.2
Professional, scientific and technical services	4.6	5.0	7.3	5.1	5.2
Administrative and support services	9.0	8.6	10.6	8.1	7.0
Education and training (private)	7.3	6.9	8.2	6.0	8.4
Health care and social assistance (private)	3.7	3.7	3.1	4.4	2.7
Arts and recreation services	5.4	6.2	3.9	6.2	2.4
Other services	3.5	4.4	4.0	4.2	3.5
Total selected industries^(a)	1.1	1.1	1.4	1.1	1.2

(a) Excludes Division K FINANCIAL AND INSURANCE SERVICES and Division O PUBLIC ADMINISTRATION AND SAFETY. See the Glossary for the full definition.

SAMPLING ERROR *continued*

4 To illustrate the above, the estimate of total income for TRANSPORT, POSTAL AND WAREHOUSING in 2006–07 was \$121,380m. The RSE of this estimate is shown as 2.1%, giving a standard error of approximately \$2,549m (rounded). This implies that there are two chances in three that, if all units had been included in the survey, an estimate in the range of \$118,831m to \$123,929m would have been obtained. Similarly, it implies that there are 19 chances in 20 (i.e., a confidence interval of 95%) that the estimate would have been within the range of \$116,282m to \$126,478m.

5 The size of the RSE may be a misleading indicator of the reliability of some of the estimates for OPBT, EBITDA and IVA. This situation may occur where an estimate may legitimately include positive and negative values, reflecting the financial performance of individual businesses. In these cases, the aggregated estimate can be small relative to the contribution of individual businesses, resulting in a standard error which is large relative to the estimate.

NON-SAMPLING ERROR

6 All data presented in this publication are subject to non-sampling error.

7 The imprecision due to sampling variability, which is measured by the standard error, should not be confused with inaccuracies that may occur because of inadequacies in available sources from which the population frame was compiled, imperfections in reporting by providers, errors made in collection such as in recording and coding data, and errors made in processing data. Inaccuracies of this kind are referred to collectively as non-sampling error and they may occur in any enumeration, whether a full census or a sample.

8 Although it is not possible to quantify non-sampling error, every effort is made to reduce it to a minimum. Collection forms are designed to be easy to complete and assist businesses to report accurately. Efficient and effective operating procedures and systems are used to compile the statistics. The ABS compares data from different ABS (and non-ABS) sources relating to the one industry, to ensure consistency and coherence.

9 Differences in accounting policy and practices across businesses and industries can also lead to some inconsistencies in the data used to compile the estimates. Although much of the accounting process is subject to standards, there remains a great deal of flexibility available to individual businesses in the accounting policies and practices that they adopt.

10 The above limitations are not meant to imply that analysis based on these data should be avoided, only that the limitations should be borne in mind when interpreting the data presented in this publication. This publication presents a wide range of data that can be used to analyse business and industry performance. It is important that any analysis be based upon the range of data presented rather than focusing on one variable.

GLOSSARY

Data presented in this publication have been compiled from the standard financial accounts of businesses; therefore, the definition of each reported item aligns closely with that adopted in standard business accounting practice. Definitions of particular terms, as used in this publication, are also included.

ABN unit	The statistical unit used by the ABS to represent businesses, and for which statistics are reported, in most cases. The ABN unit is the business unit which has registered for an ABN, and thus appears on the ATO administered Australian Business Register. In most cases, the ABN unit represents the legal entity. This unit is suitable for ABS statistical needs when the business is simple in structure. For more significant and diverse businesses where the ABN unit is not suitable for ABS statistical needs, the statistical unit used is the type of activity unit (TAU).
Bad and doubtful debts	Represents the amount of bad and doubtful debts written-off, net of bad and doubtful debts previously written-off but recovered.
Billion	One thousand million.
Business	<p>A business is generally considered to be a person, partnership, or corporation engaged in business or commerce.</p> <p>In this publication, the term represents the ABN unit or type of activity unit (TAU), which are the two standard statistical units for the 2006–07 EAS collections (these two units are explained under separate entries). For details, see Explanatory Notes paragraphs 8–10.</p>
Business Activity Statement (BAS) total sales	Represented by the form item G1 <i>Total sales</i> on businesses' Business Activity Statements, supplied by them to the ATO. This item comprises all payments and other consideration (including GST) received during the nominated tax period for supplies made in the course of business.
Business size	<p>For the purposes of table 2.1, businesses are categorised as:</p> <ul style="list-style-type: none">■ large businesses, with employment of 200 or more persons■ medium businesses, with employment of 20 to less than 200 persons■ small businesses, with employment of less than 20 persons (including non-employed businesses).
Capital expenditure	Total (gross) expenditure on acquiring fixed tangible and intangible assets, before deduction of trade-in allowances, and including expenses (except capitalised interest) incurred during the year in acquiring such assets. Fixed tangible assets include land, dwellings, other buildings and structures, plant, machinery and equipment (including motor vehicles). Intangible assets include capitalised exploration expenditure, patents, licences and goodwill.
Capital work done for own use	Capitalised work done by the employees or proprietors of a business in manufacturing, constructing, installing or repairing assets, in mineral and petroleum exploration activities, and the in-house development of computer software, for use by the business or for rental or lease. This work is valued at the capitalised costs of the materials and the wages and salaries involved.
Capitalised purchases	Goods drawn from inventories for use as fixed tangible assets in capital work done by the employees or proprietors of a business for use by the business or for rental or lease.

Capitalised wages and salaries	Capitalised payments for work done by own employees in manufacturing, constructing, installing or repairing assets, mineral and petroleum exploration activities or in developing computer software in-house for use by the business or for rental or lease.
Change in inventories	The value of total closing inventories less total opening inventories.
Closing inventories	The value of all inventories of finished goods (including inventories for resale), work-in-progress (less progress payments billed), raw materials, fuels and containers at the end of the reporting period.
Contract, subcontract and commission expenses	Payments to other businesses and self-employed persons for work done or sales made on a contract or commission basis. Payments to persons paid by commission without a retainer are also included. Excludes commissions paid to persons who receive a retainer and commissions paid to the business' own employees.
Cost of sales	The sum of purchases, selected expenses and opening inventories less closing inventories. Any capitalised purchases are excluded.
Current prices	Estimates at current prices are valued at the prices of the period to which the observation relates. For example, estimates for 2006–07 are valued using 2006–07 prices. This contrasts to chain volume measures, where the prices used in valuation refer to the prices of a previous period.
Depreciation and amortisation	Depreciation/amortisation allowed on tangible and intangible assets. Includes, for lessees only, depreciation/amortisation in respect of finance leases.
Disposal of assets	Proceeds from the sale of tangible assets (plant, machinery, equipment, land, dwellings, other buildings and structures), and intangible assets (such as patents, licences and goodwill).
Earnings before interest, tax, depreciation and amortisation (EBITDA)	Profit prior to the deduction of net interest (interest income minus interest expenses), income tax, depreciation and amortisation. Items classifiable to other income are also excluded.
Employer contributions into superannuation	Includes all employer contributions to superannuation funds (including the employer productivity contribution) and provisions for employer contributions to superannuation funds. Also includes expenses relating to employer funded defined benefit schemes. Employee contributions and salary sacrifice contributions are excluded. Note that salary sacrifice contributions were included in estimates of this item in previous issues of this publication.
Employing business	See the entry for business size.
Enterprise	An institutional unit comprising: <ul style="list-style-type: none"> ■ a single legal entity or business entity; or ■ more than one legal entity or business entity within the same enterprise group and in the same institutional sub-sector (i.e. they are all classified to a single Standard Institutional Sector Classification of Australia (SISCA) sub-sector).
Enterprise group	A unit covering all the operations in Australia of one or more legal entities under common ownership and/or control. It covers all the operations in Australia of legal entities which are related in terms of the current Corporations Law (as amended by the <i>Corporations Legislation Amendment Act 1991</i>), including legal entities such as companies, trusts and partnerships. Majority ownership is not required for control to be exercised.
Expenses	See total expenses.

Freight and cartage expenses	Excludes the cost of delivery by own vehicles and employees, as well as overseas freight and cartage on goods exported, and payments to couriers.
Funding from government for operational costs	Funding from federal, state and/or local government for operational costs (e.g. wages and salaries, rent, food). Includes bounties, subsidies, export grants, apprenticeship and traineeship schemes, community service obligations, and amounts reimbursed under the Australian Government's Energy Grants (Credit) Scheme. Excludes funding from government for specific capital items.
Funding from government for specific capital items	Includes capital grants, and low interest or interest free loans made by government to businesses to encourage expenditure on specific equipment (e.g. environmental protection equipment).
Gross fixed capital formation (GFCF)	<p>Gross fixed capital formation is measured by the total value of a producer's acquisitions, less disposals, of fixed assets during the reference period, plus certain additions to the value of non-produced assets realised by the productive activity of institutional units.</p> <p>Fixed assets are tangible or intangible assets produced as outputs from processes of production that are themselves used repeatedly or continuously in other processes of production for more than one year.</p> <p>The derivation of GFCF is as follows:</p> <p style="margin-left: 40px;">Acquisition of</p> <p style="margin-left: 80px;">Road vehicles</p> <p style="margin-left: 40px;"><i>plus</i></p> <p style="margin-left: 80px;">Other transport equipment</p> <p style="margin-left: 80px;">Industrial machinery and equipment</p> <p style="margin-left: 80px;">Computer software capitalised</p> <p style="margin-left: 80px;">Computers and computer peripherals</p> <p style="margin-left: 80px;">Electronic equipment and electrical machinery</p> <p style="margin-left: 80px;">Communications equipment</p> <p style="margin-left: 80px;">Other plant and equipment</p> <p style="margin-left: 80px;">Dwellings, other buildings and structures</p> <p style="margin-left: 80px;">Computer software expensed</p> <p style="margin-left: 40px;"><i>less</i></p> <p style="margin-left: 80px;">Disposal of plant, machinery and equipment (including motor vehicles)</p> <p style="margin-left: 80px;">Disposal of dwellings, other buildings and structures</p> <p style="margin-left: 40px;"><i>equals</i></p> <p style="margin-left: 80px;">GFCF</p>
Income	See the entries for sales and service income, interest income, and other selected income.
Income from services	See the entry for sales and service income.
Industry class	The structure of ANZSIC comprises four levels, ranging from industry division (broadest level) to industry class (finest level). Activities are narrowly defined within the industry class level, which is identified by a four-digit code, e.g. Industry Class 2331 PULP, PAPER AND PAPERBOARD MANUFACTURING. Usually, an activity is primarily defined to one class. However, some activities may be primary to more than one class.
Industry division	The structure of ANZSIC comprises four levels, ranging from industry division (broadest level) to industry class (finest level). The main purpose of the industry division level is to provide a limited number of categories which give a broad overall picture of the economy. There are 19 divisions within ANZSIC, each identified by an alphabetical letter, that is, 'A' for AGRICULTURE, FORESTRY AND FISHING, 'B' for MINING, 'C' for MANUFACTURING, etc.
Industry subdivision	This is the broadest level category within each industry division of ANZSIC and is identified by a two-digit code, e.g. Industry Subdivision 14 for WOOD PRODUCT MANUFACTURING. Industry subdivisions are built up from industry groups which, in turn, are built up from industry classes.

Industry value added (IVA) IVA represents the value added by an industry to the intermediate inputs used by the industry. IVA is the measure of the contribution by businesses, in the selected industry, to gross domestic product.

The derivation of IVA for individual businesses depends on whether they are classified as market or non-market producers. Non-market producers are those institutions which provide goods or services either free or at prices that are not economically significant. In other words, their prices are not significantly influenced by the amounts that producers are willing to supply, nor the amounts that users are willing to pay to purchase the goods or services being provided. Conversely, market producers provide goods and services at prices that are economically significant.

For market producers, the derivation of IVA is as follows:

	Sales and service income
<i>plus</i>	Funding from federal, state and/or local government for operational costs
<i>plus</i>	Capital work done for own use
<i>plus</i>	Closing inventories
<i>less</i>	Opening inventories
<i>less</i>	Purchases of goods and materials
<i>less</i>	Other intermediate input expenses (for details, see the entry for total expenses)
<i>equals</i>	IVA

However, it should be noted that IVA is a measure of economic activity and is not equivalent to operating profit before tax (OPBT). Wage and salary expenses and most other labour costs are not taken into account in its calculation for market producers, and nor are most insurance premiums, interest expenses or depreciation and a number of lesser expenses (see the entry for total expenses for further details). On the income side, OPBT includes total income, whereas IVA only includes sales and service income.

As a principle, the output of non-market production is valued at cost, including intermediate input expenses. As shown in the above derivation, intermediate input expenses are deducted from output in order to arrive at IVA. Accordingly, the derivation of IVA for non-market producers can be described as follows:

	Selected labour costs
<i>plus</i>	Depreciation and amortisation
<i>equals</i>	IVA

Estimates of industry value added are obtained by summing the contributions of businesses classified to that industry, both market and (if any) non-market producers. Market producers predominate in most industries.

Industry value added is related to, but different from, the national accounting variable gross value added. For national accounts purposes, gross value added is calculated by adjusting industry value added to include GENERAL GOVERNMENT units and also to account for some other effects.

Insurance premiums Premiums for fire, general, accident, public liability, optional third-party and comprehensive motor vehicle insurance, professional indemnity insurance, and common law liability. Excludes workers' compensation insurance premiums/costs (included in labour costs) and compulsory third party motor vehicle insurance premiums (included in motor vehicle running expenses).

Interest coverage The number of times that businesses can meet their interest expenses from their earnings before net interest, tax, depreciation and amortisation (EBITDA), i.e. earnings before interest, tax, depreciation and amortisation / interest expenses. In previous issues of this publication, earnings before interest and tax (rather than EBITDA) was the numerator.

Interest expenses	Includes interest paid on loans from banks, finance companies, partners, and related or unrelated businesses, and in respect of finance leases. Also includes interest equivalents such as hedging costs and expenses associated with discounted bills. Excludes bank charges other than interest, and capital repayments.										
Interest income	Includes interest received from deposits in banks and non-bank financial institutions, loans, advances, finance leases and earnings on discounted bills. Excludes capital payments received.										
Intermediate input expenses	See the entry for total expenses.										
Intermediate inputs	Intermediate inputs consist of materials and certain services which are used up in the production process. The calculation is: <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">Intermediate input expenses</td> </tr> <tr> <td></td> <td style="text-align: right;">(for details, see the entry for total expenses)</td> </tr> <tr> <td style="text-align: right;"><i>plus</i></td> <td style="text-align: right;">Opening inventories</td> </tr> <tr> <td style="text-align: right;"><i>less</i></td> <td style="text-align: right;">Closing inventories</td> </tr> <tr> <td style="text-align: right;"><i>equals</i></td> <td style="text-align: right;">Intermediate inputs</td> </tr> </table>		Intermediate input expenses		(for details, see the entry for total expenses)	<i>plus</i>	Opening inventories	<i>less</i>	Closing inventories	<i>equals</i>	Intermediate inputs
	Intermediate input expenses										
	(for details, see the entry for total expenses)										
<i>plus</i>	Opening inventories										
<i>less</i>	Closing inventories										
<i>equals</i>	Intermediate inputs										
Inventories – opening/closing	The value of all inventories of finished goods (including inventories for resale), work-in-progress (less progress payments billed), raw materials, fuels, and containers, at the beginning and end of the reporting period, respectively.										
Investment rate (value added)	The proportion of industry value added (IVA) used to acquire capital, i.e. (capital expenditure / IVA) x 100.										
Labour costs	For the purposes of table 1.2, comprises wages and salaries, employer contributions into superannuation, workers' compensation premiums/costs, fringe benefits tax and payroll tax.										
Large business	See the entry for business size.										
Medium business	See the entry for business size.										
Motor vehicle running expenses	Includes expenditure on registration fees, compulsory third-party insurance premiums, fuel, and repair and maintenance expenses. Excludes expenses for off-road motor vehicles (e.g. fork lifts, mobile plant), and lease payments, optional third party and comprehensive motor vehicle insurance premiums, and depreciation.										
Natural resource royalties expenses	Includes payments under mineral lease arrangements, and resource rent taxes and royalties. Excludes payments for royalties from intellectual property (e.g. patents and copyrights) and computer software licence fees (both of which are included under other operating expenses), and capitalised computer software licence fees (included under capital expenditure). Gold tax payments are also excluded. See the entry for total expenses for the definition of other operating expenses.										
Net capital expenditure	The value of total capital expenditure less proceeds received from the disposal of assets.										
Non-employing business	See the entry for business size.										
Opening inventories	The value of all inventories of finished goods (including inventories for resale), work-in-progress (less progress payments billed), raw materials, fuels and containers at the beginning of the reporting period.										
Operating business	Any ABN unit / TAU which is still in existence at the end of the reference period.										
Operating profit before tax (OPBT)	Profit before extraordinary items are brought to account and prior to the deduction of income tax and appropriations to owners (e.g. dividends paid), i.e. total income – total expenses + change in inventories.										

Other income	Includes dividend income and other income such as net profit (or loss) on the sale of fixed tangible assets, net profit (or loss) resulting from variations in foreign exchange rates/transactions, and funding from federal, state and/or local government for specific capital items. It excludes extraordinary profits or losses, i.e. those not associated with the normal operations of the business and of a non-recurring nature.
Other intermediate input expenses	Comprises intermediate input expenses less current purchases of goods and materials used in production (i.e. excludes any capitalised purchases). Further detail is included in the entry for total expenses.
Other operating expenses	See the entry for total expenses.
Other selected expenses	Includes expenditure on management fees/charges paid to related and unrelated businesses, bank charges other than interest, audit and other accounting expenses, legal fees, advertising expenses, postal and telecommunication expenses, office supplies and printing expenses, travelling, accommodation and entertainment expenses, staff training, payments for royalties from intellectual property (e.g. patents, copyrights), payments to employment agencies for staff, payroll tax, fringe benefits tax, land tax and land rates, and computer software expenses not capitalised. Some of these expense items are treated as intermediate input expenses in the calculation of industry value added. For details, see the entry for total expenses.
Payroll tax	A tax levied by state and territory governments on the amount of wages and salaries paid by a business. Excludes pay-as-you-go withholding tax.
Profit margin	The percentage of sales and service income available as operating profit before tax (OPBT), i.e. $(OPBT / \text{sales and service income}) \times 100$.
Purchases and selected expenses	Purchases of goods and materials, rent, leasing and hiring expenses, freight and cartage expenses, motor vehicle running expenses, repair and maintenance expenses, contract, subcontract and commission expenses, and other selected expenses.
Purchases of goods and materials	Purchases of materials, components, containers, packaging materials, fuels, electricity and water, and purchases of finished goods for resale. Also includes capitalised purchases. Excludes purchases of parts and fuels for motor vehicles, but includes fuels for off-road vehicles, such as forklifts and mobile plant.
Reference period	For each collection year, businesses are asked to report data for the financial year ended 30 June. However, if a business has a different financial year, it is asked to report (apart from employment) for the 12 month period which ends between 1 October of the previous year and 30 September of the current year. This period is then used as a substitute for the financial year ended 30 June. For example, for the 2006–07 collection, a business may have reported data for the year ended 31 December 2006.
Rent, leasing and hiring expenses	Payments for the rent, leasing and hiring of land, dwellings, other buildings and structures, motor vehicles, plant, machinery and other equipment (including telecommunication equipment). Includes operating lease payments; excludes finance lease payments.
Rent, leasing and hiring income	See the entry for sales and service income.
Repair and maintenance expenses	Includes repair and maintenance of computer and communication software and hardware, and repair and maintenance of off-road motor vehicles. Excludes wages and salaries of own employees and the repair and maintenance costs of on-road motor vehicles.

Sales and service income	<p>Includes:</p> <p><i>Sales of goods</i></p> <ul style="list-style-type: none"> ■ whether or not produced by the business (including goods produced for the business on a commission basis). Includes export sales, sales or transfers to related businesses or to overseas branches of the business, progress payments relating to long term contracts if they are billed in the period, delivery charges not separately invoiced to customers, sales of goods produced by the business from crude materials purchased, and income from 'specific' rates (e.g., water, sewerage, irrigation and drainage rates). Excludes excise and duties received on behalf of the government (e.g. the petroleum production excise duty), sales of assets, natural resource royalties income, interest income, and delivery charges separately invoiced to customers. Exports are valued free on board (f.o.b.), i.e. export freight charges are excluded. <p><i>Income from services</i></p> <ul style="list-style-type: none"> ■ includes income from consulting services, repair, maintenance and service income and fees, contract, subcontract and commission income, management fees/charges from related and unrelated businesses, installation charges, delivery charges separately invoiced to customers and royalties from intellectual property (e.g. patents and copyrights) and natural resource royalties income. Excludes interest income, and delivery charges not separately invoiced to customers. <p><i>Rent, leasing and hiring income</i></p> <ul style="list-style-type: none"> ■ derived from the ownership of land, dwellings, buildings and other structures, motor vehicles, plant, machinery and other equipment. Excludes royalties from mineral leases, income from finance leases and payments received under hire purchase arrangements. <p>These are valued net of discounts given and exclusive of goods and services tax (GST). Extraordinary items are also excluded.</p>
Sales of goods	See the entry for sales and service income.
Selected expenses	See the entry for purchases and selected expenses.
Selected labour costs	See the entry for total expenses.
Small business	See the entry for business size.
Standard Institutional Sector Classification of Australia (SISCA)	<p>The SISCA is the central classification among ABS Standard Economic Sector Classifications. It is based on the System of National Accounts 1993 (SNA93) institutional sector classification, and comprises the sectors: NON-FINANCIAL CORPORATIONS, FINANCIAL CORPORATIONS, GENERAL GOVERNMENT, HOUSEHOLDS, NON-PROFIT INSTITUTIONS SERVING HOUSEHOLDS, and REST OF THE WORLD (which includes only non-resident units, these being excluded from all other sectors). For more information, please refer to the <i>Standard Economic Sector Classifications of Australia (SESCA)</i> (cat. no. 1218.0).</p>
Superannuation	See the entry for employer contributions into superannuation.
Total expenses	For the purposes of calculating economic and accounting variables, expenses incurred by businesses are divided into several categories. However, some expenses are excluded entirely from all such calculations: excluded are capital repayments, costs associated with the transfer of real estate, dividends, donations, export freight charges, extraordinary losses, foreign exchange losses, goods and services tax (GST), excise and duties payable to governments, income tax and other direct taxes, losses on asset sales, and unrealised gains/losses from revaluations of assets.

Total expenses *continued* Those expenses used for calculations are categorised as follows:

Intermediate input expenses

This category covers the major expenses incurred by businesses in producing and distributing goods and services (except labour costs), and comprises two sub-categories of operating expenses:

Purchases of goods, materials and services used in production, which include:

- purchases of materials, components, containers and packaging materials, electricity, fuels and water
- purchases of goods for resale (without any further processing or assembly)
- motor vehicle running expenses
- freight and cartage expenses
- repair and maintenance expenses
- rent, leasing and hiring expenses (excluding finance lease payments)
- contract, subcontract and commission expenses.

Expenses related to the sale of goods and administrative expenses, which include:

- management fees/charges paid to related and unrelated businesses
- bank charges other than interest
- audit and other accounting expenses
- legal fees
- advertising expenses
- postal and telecommunication expenses
- office supplies and printing expenses
- travelling, accommodation and entertainment expenses
- staff training
- payments for royalties from intellectual property (e.g. patents and copyrights)
- payments to employment agencies for staff.

Excluded from intermediate input expenses are selected labour costs and other operating expenses as detailed below.

Selected labour costs

- wages and salaries (including provisions for employee entitlements, salary sacrificed earnings, share based payments and stock options)
- employer contributions into superannuation
- workers' compensation premiums/costs.

Other operating expenses

Some expenses are excluded from the calculation of intermediate input expenses and selected labour costs, but are included in the calculation of the accounting variable operating profit before tax (OPBT).

These expense items are included in table 2.2 as:

- individually listed items:
 - depreciation and amortisation
 - interest expenses
- part of *cost of sales*:
 - computer software expenses not capitalised by businesses
 - land tax and land rates
 - mineral/petroleum exploration expenses not capitalised by businesses
 - other expenses not capitalised by businesses
 - payroll tax and fringe benefits tax
- part of *other operating expenses*:
 - insurance premiums (except workers' compensation and compulsory third party motor vehicle insurance premiums)
 - natural resource royalties expenses
 - bad and doubtful debts.

Total income	Comprises sales and service income, interest income and other income (for details, see the entries for these items).
Total selected industries	Total selected industries comprises data for all ANZSIC divisions, excluding ANZSIC Divisions K FINANCIAL AND INSURANCE SERVICES and O PUBLIC ADMINISTRATION AND SAFETY. For a detailed discussion of the scope of the estimates, see Explanatory Notes paragraphs 11–18. Units classified to the GENERAL GOVERNMENT institutional sector are excluded from the scope of estimates for most industries that comprise TOTAL SELECTED INDUSTRIES. This can result in the exclusion of an entire ANZSIC division (PUBLIC ADMINISTRATION AND SAFETY) or limit coverage to private sector entities only (in the EDUCATION AND TRAINING and HEALTH CARE AND SOCIAL ASSISTANCE divisions).
Type of activity unit (TAU)	<p>The TAU is the statistical unit used by the ABS to represent businesses, and for which statistics are reported, in cases where the ABN unit is not suitable for ABS statistical needs.</p> <p>The TAU comprises one or more business entities, sub-entities or branches of a business entity within an enterprise group that can report production and employment data for similar economic activities. When a minimum set of data items are available, a TAU is created which covers all the operations within an industry subdivision (and the TAU is classified to the relevant subdivision of the ANZSIC). Where a business cannot supply adequate data for each industry, a TAU is formed which contains activity in more than one industry subdivision.</p>
Wages and salaries	<p>The gross wages and salaries (including capitalised wages and salaries) of all employees of the business. The item includes severance, termination and redundancy payments, salaries and fees of directors and executives, retainers and commissions of persons who received a retainer, bonuses, and annual and other types of leave. Provision expenses for employee entitlements (e.g. provisions for annual leave and leave bonus, long service leave, sick leave, and severance, termination and redundancy payments) are also included, as are salary sacrificed earnings and remuneration of employees in the form of share based payments and stock options. (Note that in previous issues of this publication, salary sacrificed earnings and remuneration of employees in the form of share based payments and stock options were reported under related expense items. For example, salary sacrificed for superannuation was included in employer contributions into superannuation).</p> <p>Payments related to self-employed persons such as consultants, contractors and persons paid solely by commission without a retainer are excluded. The drawings of working proprietors and partners are also excluded.</p>
Workers' compensation premiums/costs	Workers' compensation is a compulsory insurance cover to be taken out by all employers, except for self-insured workers, according to legislative schemes to cover employees suffering injury or disease in the course of or arising out of employment.

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EMAIL client.services@abs.gov.au

FAX 1300 135 211

POST Client Services, ABS, GPO Box 796, Sydney NSW 2001

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