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## Key points

- While assistance to industry has fallen greatly in recent decades, assistance provided by the Australian Government remains significant — estimated to be equivalent to over \$11 billion in gross terms in 2003-04.
  - Some types of assistance, such as R&D funding, may deliver net community benefits; others may entail net costs to the community.
- Tariffs provided the equivalent of an estimated \$7.5 billion of assistance on outputs.
  - Virtually all of this was directed to industries in the manufacturing sector.
  - The resulting higher prices of manufactured inputs meant that net tariff assistance to other sectors (agriculture, mining and services) was negative.
- Budgetary assistance totalled an estimated \$4.3 billion in 2003-04.
  - \$2.3 billion was provided in outlays — the main components were funding for CSIRO (18%) and Austrade's export promotion and grants (13%).
  - The Automotive Competitiveness and Investment Scheme was the most significant tax concession, accounting for more than one-quarter of the \$2 billion of such assistance provided.
- The manufacturing sector is the major beneficiary of Australian Government assistance, receiving the equivalent of an estimated \$6 billion in net tariff and budgetary assistance in 2003-04.
  - Textiles, clothing and footwear and the automotive industries remain the most highly assisted manufacturing industry groupings, although the Government has announced continuing transition programs designed to move both sectors to lower levels of assistance.
- Measured assistance to most agricultural activities remains low.
  - An exception is the dairy industry, notwithstanding a decrease in assistance since its deregulation in 2000. Additional assistance has also been announced recently for the sugar industry.
  - Although not included in the Commission's estimates, significant drought relief has also been provided to farmers and rural communities in recent years.
- The services sector received around an estimated \$800 million in Australian Government budgetary assistance in 2003-04. However, tariffs on manufactured inputs increased service industries' costs by an estimated \$2.8 billion that year.
- There has been mixed progress on international trade liberalisation recently.
  - There has been renewed progress in multilateral trade negotiations, breaking a deadlock which arose during WTO talks in Mexico last year.
  - There has been an increase in preferential trade arrangements (PTAs) — Australia itself has recently concluded PTAs with Singapore, Thailand and the United States, with more in prospect.
  - PTAs incorporate 'rules of origin' which, depending on their detailed design, can limit the potential benefits from liberalisation and impose costs.