
Key points

- The Australian Government assists industries through an array of mechanisms, including tariffs and regulatory restrictions on imported goods and services, as well as subsidies and tax concessions for domestic producers.
 - Assistance generally benefits the industry that receives it but can penalise other industries, as well as taxpayers and consumers.
 - Some types of assistance, such as R&D funding, may deliver net community benefits if well designed; others entail net costs to the community.
- While industry assistance has declined greatly over recent decades, assistance provided by the Australian Government remains significant.
 - In 2006-07, the government measures covered in this report provided assistance to industry equivalent to \$15.7 billion in gross terms, and \$8 billion in net terms.
 - The automotive, textiles, clothing and footwear and dairy industries received the highest rates of assistance within manufacturing and agriculture.
 - Services industries typically attract negative assistance because tariffs inflate their input prices.
- Several factors make it timely to take stock of the principles that should guide the design of effective and efficient industry assistance.
 - These include concerns about skills shortages and capacity constraints, heightened budgetary pressures and the recent announcement of several key reviews.
- Assistance should be beneficial for the community as a whole, rather than just for a narrow groups of recipients.
 - Industry assistance measures are more likely to yield a net pay-off when targeted at significant market failures. However, many assistance proposals are not based on sound rationales.
- Assistance measures need to be designed carefully and evaluated, both before and after implementation, using sound data and rigorous methodologies:
 - Particular attention is needed to ensure that assistance induces new activity, rather than dissipating funding on much activity that would have occurred anyway.
 - Given the interests at stake, evaluations of significant measures should have independent panels and adequate scope for public consultation.
- The Commission has identified several areas of assistance that may warrant review, including drought relief, defence procurement, and ethanol and renewable energy.
 - Consideration could also be given to instituting a more systematic program of reviews of assistance measures, including at the State level.