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## Key points

- Governments assist industries through a range 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 Australian industries, as well as taxpayers and consumers.
  - Some types of assistance, such as R&D funding, may deliver net community benefits; others entail net costs to the community.
- Tariffs on imports of manufactures have declined steadily over time, with most items in 2004-05 facing a tariff rate of 5 per cent or entering duty free. Automotive products and textiles, clothing and footwear items attract higher tariffs.
  - The Government has announced continuing transition programs designed to move both sectors to lower levels of assistance. Tariffs on imports of these goods were reduced further in 2005.
- Budgetary assistance to industry totalled an estimated \$4.6 billion in 2004-05.
  - \$2.6 billion was provided in budget outlays — the main components were funding for CSIRO (21%), certain R&D programs (13%) and Austrade's export promotion and grants (11%).
  - The Automotive Competitiveness and Investment Scheme was the most significant tax concession, accounting for more than one-quarter of the almost \$2 billion of such assistance provided.
- In addition, significant drought relief has also been provided to farmers and rural communities in recent years.
  - The Australian Government expended \$220 million on drought support in 2004-05, with expenditure projected to increase considerably in 2005-06.
- The tourism industry has received significant assistance in recent years. Further assistance and other policy initiatives to encourage additional travel and tourism-related investment have been recommended by a Government-appointed consultative group.
- There has been mixed progress on international trade liberalisation recently.
  - There has been some progress, albeit limited, in the WTO's Doha Round.
  - There has been a rapid worldwide increase in preferential trade arrangements. Australia has recently concluded a number of PTAs, with more in prospect.
  - A number of countries, including Australia, have unilaterally undertaken significant reform of their tariff arrangements over recent years.