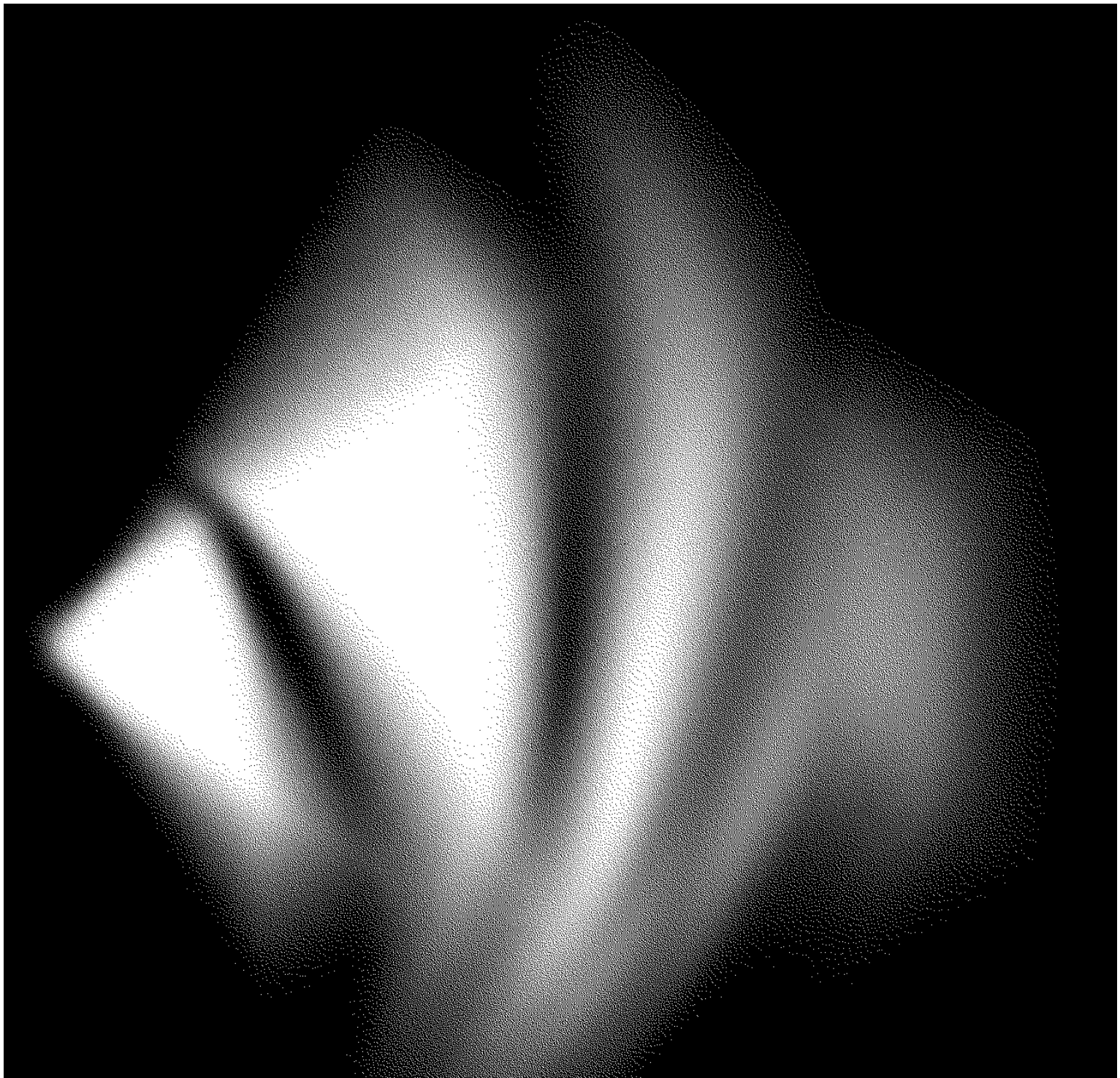




Australian Government
Productivity Commission

Trade & Assistance Review 2006-07

Productivity
Commission
Annual Report Series



© COMMONWEALTH OF AUSTRALIA 2008

ISBN 978-1-74037-245-9

This work is subject to copyright. Apart from any use as permitted under the *Copyright Act 1968*, the work may be reproduced in whole or in part for study or training purposes, subject to the inclusion of an acknowledgment of the source. Reproduction for commercial use or sale requires prior written permission from the Attorney-General's Department. Requests and inquiries concerning reproduction and rights should be addressed to the Commonwealth Copyright Administration, Attorney-General's Department, Robert Garran Offices, National Circuit, Canberra ACT 2600.

This publication is available in hard copy or PDF format from the Productivity Commission website at www.pc.gov.au. If you require part or all of this publication in a different format, please contact Media and Publications (see below).

Publications Inquiries:

Media and Publications
Productivity Commission
Locked Bag 2 Collins Street East
Melbourne VIC 8003

Tel: (03) 9653 2244
Fax: (03) 9653 2303
Email: maps@pc.gov.au

General Inquiries:

Tel: (03) 9653 2100 or (02) 6240 3200

An appropriate citation for this paper is:

Productivity Commission 2008, *Trade & Assistance Review 2006-07*, Annual Report Series, Productivity Commission, Canberra, March.

The Productivity Commission

The Productivity Commission, an independent agency, is the Australian Government's principal review and advisory body on microeconomic policy and regulation. It conducts public inquiries and research into a broad range of economic and social issues affecting the welfare of Australians.

The Commission's independence is underpinned by an Act of Parliament. Its processes and outputs are open to public scrutiny and are driven by consideration for the wellbeing of the community as a whole.

Information on the Productivity Commission, its publications and its current work program can be found on the World Wide Web at www.pc.gov.au or by contacting Media and Publications on (03) 9653 2244.

Preface

The Productivity Commission is required under its Act to report annually on industry assistance and its effects on the economy. *Trade & Assistance Review 2006-07* contains the Commission's latest quantitative estimates of Australian Government assistance to industry. It also examines recent developments in assistance in various sectors of the economy over the year or so prior to the commencement of the caretaker period in October 2007, and outlines some recent international policy developments affecting Australia's trade.

Several factors, including the announcement of a number of reviews, make it timely to take stock of the principles that should guide the design of effective and efficient industry assistance. Chapter 6 of this edition of *Trade & Assistance Review* discusses such principles, and points to some additional areas of assistance that warrant examination from a community-wide perspective.

In preparing this document, the Commission received helpful advice and feedback from officials from several Australian Government departments and agencies. The Commission is grateful for their assistance.

Gary Banks
Chairman

March 2008

Contents

Key points	viii
1 Introduction	1.1
2 Assistance estimates	2.1
2.1 Tariff assistance	2.2
2.2 Australian Government budgetary assistance	2.3
2.3 Agricultural pricing and regulatory assistance	2.9
2.4 Combined assistance	2.12
3 Recent developments in general industry assistance	3.1
3.1 R&D and its commercialisation	3.2
3.2 New technologies	3.7
3.3 Export marketing and international business integration	3.9
3.4 Energy-related assistance	3.11
3.5 Assistance to tourism	3.15
3.6 Automotive assistance	3.17
3.7 Support for film and television production	3.18
3.8 Regional adjustment assistance	3.20
3.9 Small business support	3.22
3.10 Anti-dumping and countervailing measures	3.23
4 Selected developments in assistance for rural industries	4.1
4.1 Drought relief	4.2
4.2 The Agriculture – Advancing Australia package	4.8

4.3	Industry-specific assistance	4.9
–	wheat	4.9
–	pigmeat	4.11
–	wool	4.13
–	horses	4.14
–	forests	4.15
–	food	4.15
4.4	Assistance for rural resource management	4.17
5	Recent developments in trade policy	5.1
5.1	Trade agreements	5.1
5.2	WTO Trade Policy Review of Australia	5.4
6	Some issues in designing and reviewing industry assistance	6.1
6.1	The evolution of industry assistance	6.2
6.2	‘Productive’ industry assistance	6.6
6.3	Areas of assistance for review	6.20
A	Detailed budgetary assistance estimates	A.1
B	Antidumping and countervailing activity	B.1
	<i>References</i>	R.1

Abbreviations

AAA	Agriculture – Advancing Australia
ABS	Australian Bureau of Statistics
ABARE	Australian Bureau of Agricultural and Resource Economics
ACIS	Automotive Competitiveness and Investment Scheme
ACS	Australian Customs Service
ACT	Australian Capital Territory
AIC	Assistance for Isolated Children
ANAO	Australian National Audit Office
ATO	Australian Taxation Office
AWBI	Australian Wheat Board International
AWI	Australian Wool Innovation
AWS	Australian Wool Services
CET	clean energy target
CIE	Centre for International Economics
CRC	cooperative research centres
CSIRO	Commonwealth Scientific and Industrial Research Organisation
DAFF	Department of Agriculture, Fisheries and Forestry
DIISR	Department of Innovation, Industry, Science and Research
DITR	Department of Industry, Tourism and Resources
EC	exceptional circumstances
EFIC	Export Finance and Insurance Corporation
EMDG	Export Market Development Grants
ERA	effective rate of assistance
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
GST	goods and services tax
IC	Industry Commission

ICT	information and communications technology
IT	information technology
LPG	liquefied petroleum gas
MFN	most favoured nation
MVP	motor vehicles and parts
NFIS	National Food Industry Strategy
NLP	National Landcare Program
NSW	New South Wales
OECD	Organisation for Economic Cooperation and Development
PC	Productivity Commission
PDV	post, digital and visual effects
PIIP	Pharmaceutical Industry Investment Program
PIRSA	(Department of) Primary Industries and Resources of South Australia
PTA	preferential trading agreement
PVRP	Photovoltaic Rebate Program
QAPE	qualifying Australian production expenditure
R&D	research and development
RRPGP	Renewable Remote Power Generation Program
SME	small and medium-sized enterprise
TCF	textiles, clothing and footwear
TFES	Tasmanian Freight Equalisation Scheme
TPR	trade policy review
TSA	tourism satellite account
WA	Western Australia
WEA	Wheat Export Authority
WTO	World Trade Organization