Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates 14 – 15 February 2007

Question: **aet 94**

Topic: **Importation of Liquid Fuel**

Hansard Page: **E24**

Senator JOYCE asked:
We have coal and iron ore exports, but what portion of our exports at the moment is manufacturing?

Dr Kennedy—Elaborately transformed manufactures, or manufactures more broadly, are a little under 20 per cent by share of manufactures.

Senator JOYCE—Manufacturing is 20 per cent of our total export income—is that right?

Dr Kennedy—I will take it on notice and check, but that is the broad rule of thumb. Basically, about 40 per cent is non-rural commodity exports and the rest is split between agriculture, services and manufacturing, in broadly equal shares.

Senator JOYCE—In layman's terms, 40 per cent is mining and then the rest is—

Dr Kennedy—services, manufacturing and agriculture.

Senator JOYCE—What portion of the trade account deficit is due to the importation of fuel?

Dr Kennedy—That is a question I can take on notice. We are a net importer of liquid fuel. We import more than we export.

Senator JOYCE—What is the largest item on our trade account deficit? What is the largest item of import into Australia?

Dr Kennedy—In terms of types of goods, it probably is manufactures—capital equipment—and also consumer items. I do not have the shares to hand, but it would be a split between those two.

Mr Parker—We can give you a split—that is not a problem.

Senator JOYCE—I would like you to take on notice what the portion of fuel is in our trade account. We might have it here, I will just check.

Dr Kennedy—In terms of the share of imports, if we split it this way, we have goods and services. Goods imports are about five times the size of services imports.

Senator JOYCE—What are the main goods imports?

Dr Kennedy—We could split the goods imports three ways into consumption goods, capital goods and intermediate and other goods. Intermediate and other goods would be things like fuel or other things that are going to be used as—

Senator JOYCE—What are consumption goods?

Dr Kennedy—Of total goods debits of a little over $15 billion, in December consumption goods were about $4½ billion; capital goods were about $3½ billion and intermediate and other goods were about $7 billion.

Senator JOYCE—I am curious because there is a continual argument put up about how much of our trade account deficit is due to the importation of fuel. I want you to take that on notice to stop conjecture on it.

Dr Kennedy—Sure.

Mr Parker—We export and import liquid fuels.

Senator JOYCE—What is the threat from the importation of fuel and how does it relate to our capacity and competitiveness in the exportation of mining products, which are highly reliant on fuel? What contingency plans, in your threat analysis, do you have to deal with that issue?

Mr Parker—We will take that on notice.

Answer:

The following table sets out the import categories as a share of total imports in 2005-06:

	Nominal share of imports (per cent)
Intermediate & other goods	37.7
Consumption	23.9
Services	19.5
Capital	19.0

Consumption goods include motor vehicles; household electrical goods; toys, books and leisure goods; and textiles, clothing and footwear. Capital goods include machinery and industrial equipment; computers; telecommunications equipment; civil aircraft; and industrial transport equipment. Intermediate and other goods include fuels and lubricants; parts for transport and computer equipment and other capital goods; chemicals; and plastics.

In 2005-06, imports of fuels and lubricants (in nominal terms) made up 10.0 per cent of Australia's total imports.

The supply of liquid fuels to Australia is reliable due to a diversity of oil import sources, the flexibility and openness of international markets and supply chains, and the practice of importing finished petroleum products. In addition, Australia's vast endowment of natural resources means that we are well-positioned to respond to any long-term changes in the supply conditions for oil. In the longer term, the most important factors underpinning Australia's energy security will be continued and open access to international markets and ensuring that the market framework provides the right signals for ongoing investment in oil resource identification, extraction and processing.