

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

Question: BET 122

Topic: Back To The Future: Restoring Australia's Productivity Growth

Hansard Page: E94-95 (03/06/2010)

Senator CAMERON asked:

Senator CAMERON—...Can I take you to the speech you made on 5 November 2009, 'Back to the future: restoring Australia's productivity growth.' I will alert you to the fact that there may be a number of questions that I want to put on notice in relation to issues in that speech. However, I do not have time tonight so I just want to go to a couple of points in the speech. On page 5 you talk about procurement policies and you single out the New South Wales government for introducing a price preference on locally supplied goods and services but you also mention that at least 15 countries have imposed such measures over the past year. I am happy for you to take this on notice, but could you provide details of those countries that you have looked at and what those impositions, as you call them, have been in terms of procurement? Is that logistically feasible?

Mr Banks—I think we can do that. That would have drawn on our publication the *Trade and assistance review* which we bring out once a year. So I will have a look at that. It may have come from a secondary source that we may have used, from the WTO, but to the extent that we can get those country details, we will.

Senator CAMERON—Can you also take on notice in terms of procurement and preference for procurement whether in your analysis of the differential in price you take in the carbon cost of imported goods, whether you take into account the benefits to the skill base of producing goods here, whether you take into account the benefits of improving management skills and the management in Australia and whether you take into account the multiplier effect that these price preferences bring about. Because you talk about all the negatives but I never hear any of the positives. I just want to see if there are no positives from your point of view or whether there are some balancing issues.

Mr Banks—I would want to give a considered response to that. I guess the context for this was a concern in previous periods where you have had something akin to a global financial crisis or a great depression and you have had protection in a whole bunch of countries compounding the problems for each of them. So it was in the context of asking whether there were signs that this could happen and adversely affect Australia or not, and it looked more optimistic this time. This was one area where quite a lot of countries had introduced local procurement policies which discriminate against Australian exporters of goods and services. The point that was made was that, to the extent that one of our governments has a similar policy in place, it is hard for us to argue in the WTO for other countries to reduce barriers to Australia's exports.

Senator CAMERON—I only have a few minutes left. You are going to give me a more considered response to that.

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Answer:

The statement: ‘at least 15 countries have imposed procurement policies’ is based on information in a series of monitoring reports through 2009 by the WTO. Key examples from the time of the speech were the *Report to the TPRB from the Director-General on the Financial and Economic Crisis and trade-related developments*, 26 March 2009, at <http://www.iatp.org/tradeobservatory>, and papers by the Global Trade Alert project (such as *Broken Promises: a G20 Summit Report by Global Trade Alert*, September 2009) at www.globaltradealert.org.

The Commission has not summarised the detail of the procurement policies of the countries cited in those reports, though the reports themselves contain more detail.

The Commission has not analysed the benefits and costs of the NSW procurement policy announcement. The potential effects of such a policy referred to in the question (such as skills and management impacts) would be matters to consider in a cost-benefit evaluation of such policies. At the time of the GFC, an evaluation would have to be set in the context where other countries might take ‘tit-for-tat’ actions. In other words, the net benefit, if any, of the policy would be a product not only of its own design, but also of any retaliatory or ‘matching’ policies implemented by others (both other Australian States or Territories, and other countries). It was the dangers of such retaliatory actions for world trade and Australian exports, illustrated historically in the Great Depression, that the speech (and the Commission’s Annual Report) were flagging.