

SENATE STANDING COMMITTEE ON ECONOMICS QUESTION
(Supplementary Budget Estimates 20 October – 21 October)

Question: SBT 208

Topic: Budgetary assistance to industry

Senator Bushby asked:

Senator BUSHBY—Okay. In your recent trade and assistance review you write:

While tariff assistance has declined significantly in recent years, budgetary assistance to industry has been increasing. Can you elaborate on the budgetary assistance you are referring to?

Dr Kirby—The budgetary assistance—and, again, maybe my colleagues can help me a little bit on this one—relates to direct expenditures and also relates to the various tax concessions. In the report there are various areas of expenditures, various tax concessions, which are documented and costed.

Senator BUSHBY—What is the impact of this assistance on the Australian economy, in your view?

Dr Kirby—Obviously the direct impact of assistance is to enhance or to favour those particular areas of activity. The broader impacts of it through the economy would need to be examined.

Senator BUSHBY—What are the potential broader effects?

Dr Kirby—In the case of budgetary assistance, the most obvious one is that taxpayer revenue has to be raised in order to finance it.

Senator BUSHBY—Yes, or diverted from other programs.

Dr Kirby—Yes.

Senator BUSHBY—What about distortionary effects in the economy?

Dr Kirby—To the extent that one area of activity in an economy is favoured through regulation, through protectionist measures, through subsidies and through a range of possible assistance measures, that area

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benefits. That area attracts resources and labour capital. Those resources come from other areas of the Australian economy.

Senator BUSHBY—This is my final question on this particular point. Did you come up with the total value of the assistance that the federal government is providing to industry in Australia?

Dr Kirby—I have not got that number off the top of my head.

Senator BUSHBY—I think it was \$17-point-something billion. I do not have it in front of me either, but I quoted it yesterday before the industry department and I think the industry minister made some comment about how they might calculate assistance to industry different to what the Productivity Commission does. Could you just confirm what that figure is and provide a break-up of how it is comprised and from which departments? Is that possible? Where it is sourced?

Dr Kirby—Certainly where it is sourced or where it goes to. Whatever is in the report we will get to you.

Senator BUSHBY—Okay. As much detail as you can in terms of the break-up of that figure. Thank you.

Answer:

Estimates and components

For 2008-09, measured assistance to industry, conferred by the Australian Government was \$17.2 billion in gross terms and \$9.0 billion in net terms. Gross assistance comprised \$3.7 billion of budgetary outlays, \$4.0 billion in estimated tax concessions, and \$9.5 billion in output tariff assistance. After allowing for the cost to users of tariffs on imports (\$8.1 billion), estimated *net* assistance was \$9.0 billion in 2008-09.

Coverage of government programs and industry allocation

The government programs (budgetary outlays and tax concessions) included in the 2008-09 estimates are by industry group in table 2.3 of Trade and Assistance Review 2008-09. The programs included in each category are listed in Appendix A (pp. 93-141) of that release. A full listing of programs by expenditure size (in 2008-09) is available in spreadsheet format from the Productivity Commission's website

http://www.pc.gov.au/_data/assets/excel_doc/0003/100749/budgetary-assistance-program.xls

Senate Standing Committee on Economics

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In recording the industry incidence of assistance, the Commission relies on expenditure breakdowns provided by agencies in the case of programs that support business across a variety of industries (such as the allocation of drought assistance to different agricultural activities). For industry specific programs, the Commission adopts the concept of 'initial benefiting industry', for example, the Textiles, Clothing and Footwear (TCF) Strategic Investment Program Post 2005 is recorded as initially benefiting firms operating in the TCF industry. Where the Commission is unable to identify the initial benefiting industries the program is recorded as 'unallocated'.