1 Introduction

The *Productivity Commission Act 1998* defines government assistance to industry as:

… any act that, directly or indirectly: assists a person to carry on a business or activity; or confers a pecuniary benefit on, or results in a pecuniary benefit to, a person in respect of carrying on a business or activity.

Assistance thus takes many forms. It extends beyond direct government subsidies to particular firms or industries and includes tariffs, quotas, regulatory restrictions on imported goods and services and tax concessions. Assistance can also arise from the provision of services below cost by government agencies and from government procurement policies.

Although assistance generally benefits the firms or industries that receive it, it typically imposes costs on other sectors of the economy. For example, direct business subsidies increase returns to recipient firms and industries, but to fund the subsidies governments must increase taxes and charges, cut back on other spending, or borrow additional funds. Similarly, while tariffs provide some price relief to domestic producers, they result in higher input costs for other local businesses and higher prices for consumers, who then have less money to spend on other goods and services.

Governments provide assistance for many different reasons. Some types of assistance — such as for R&D and to meet environmental objectives — can deliver net community benefits. Similarly, some policies which have industry assistance effects may be justified on other grounds, such as the achievement of social or equity objectives.

In view of the costs, as well as the potential benefits, that industry assistance can entail, government measures that provide assistance need to be monitored and regularly reviewed. One of the Productivity Commission’s functions under its legislation is to review industry assistance arrangements. It also has a more general statutory obligation to report annually on assistance and its effects on the economy.

This edition of *Trade & Assistance Review* contains the Commission’s latest estimates of Australian Government assistance to industry (chapter 2). These estimates cover the years 2006‑07 to 2011‑12. They provide a broad indication of the resource allocation effects of selective government industry policies, and highlight some of the costs of industry support. The estimates of assistance presented in this *Review* mark the commencement of a new series and the adoption of the 2006 edition of the *Australian and New Zealand Standard Industrial Classification* (ANZSIC). A comparison is provided in the body of this report between the new, re-benchmarked series and the previous series. Appendix A provides additional details of the Commission’s estimates of assistance.

Care is required in interpreting the estimates. Among other things, they generally cover only those government measures that selectively benefit particular firms, industries or activities, and which can be quantified, given practical constraints in measurement and data availability. Because industry assistance is discriminatory and can distort the allocation of economic resources, assessing whether the benefits of any particular industry support program exceed its costs involves case-by-case consideration — a task beyond the scope of this volume.

This Review also reports on a number of developments from May 2012, the reporting date of the last 2010‑11 *Review*, with consequences for Australia’s assistance structure generally or for particular sectors or industries.

* Chapter 3 reports recent policy announcements relating to: research, development and innovation; primary industries; manufacturing; carbon emission reduction and energy efficiency; infrastructure, regional assistance; broadcasting and communications; and other industry assistance developments.
* Chapter 4 provides an overview of the nature and extent of Intellectual Property rights currently available in Australia. The chapter outlines the extent of trade and commerce in IP in Australia, identifies international IP agreements in force and Australia’s involvement in these, notes Australian policy reviews affecting Australian IP law and developments in the spheres of IP administration and legal recourse. It also outlines finding from recent empirical research. (Appendix B provides a supporting catalogue of legislated measures providing protection to Intellectual Property rights).
* Chapter 5 reports on post-GFC trade developments, selected recent developments in international trade negotiations and agreements, including Australia’s continued involvement in negotiating Preferential Trade Agreements (PTAs), complaints affecting Australia lodged through the WTO disputes resolution framework and other recent trade policy developments and program reviews. (Appendix C provides information on recent anti-dumping and countervailing duty cases in Australia.)