

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates 2012

15 – 17 February 2012

Question: AET 118-119

Topic: Productivity Commission's Trade and Assistance Review 2009-10

Hansard Page: Written

Senator BUSHBY asked:

118. In the table shown on page 18 of the Productivity Commission's 'Trade and Assistance Review 2009-10' publication, it indicates that output tariffs for the 'Motor vehicles and parts' industry were \$1364.9m and input penalty tariffs were - \$461.3m. How are each of those figures specifically calculated?
119. For the second half of the financial year 2009-10, the overall tariff for the motor vehicle industry fell from 10% to 5%. If the percentage had been 5% for the entire financial year, what would have been the revised output and input penalty tariff figures?

Answer:

118. In deriving estimates of output and input tariff assistance, the Commission uses information from the Australian Customs tariff schedules, ABS merchandise trade imports and ABS Input-Output tables. The current series of estimates of tariff assistance are benchmarked to the 2004-05 input-output tables. Calculations of the level of assistance are revalued to current year values (in this case 2009-10 values) using trends in ABS Industry Gross Value Added.

Output tariff assistance is derived by multiplying Australian production (of 'motor vehicles and parts') (sold domestically) by the estimated average price distortion resulting from tariffs on output goods of the 'motor vehicles and parts' industry. The estimates are initially derived using 2004-05 ABS Input-Output data and are therefore in 2004-05 dollars. The Commission re-indexes these estimates to current year dollars using ABS Industry Gross Value Added at current prices data. These calculations are presented in table 1.

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Table 1 **Estimation of output tariff assistance for the motor vehicles and parts industry, 2009-10**

\$ million

Australian production (2004-05 values) ^a	\$ 22 538.9
Share of Australia production sold domestically ^b	0.85900
Output tariff assistance (2004-05 values)	19360.1
Average output tariff price distortion (<i>in 2009-10</i>) ^c	0.05648
Valuation adjustment factor ^d	1.24819
Output tariff assistance (2009-10 values)	\$ 1 364.9

^a Australian production for the motor vehicles and parts industry is derived from the 2004-05 ABS Input-Output data. The industry 'motor vehicles and parts' covers the 4-digit Australian Standard Industry Classification 'classes': 2811 Motor Vehicle Manufacturing; 2812 Motor Vehicle Body Manufacturing; 2813 Automotive and Electrical Instrument Manufacturing; and 2814 Automotive Component Manufacturing nec. ^b Australian production sold domestically is equal is estimated as total production less exports. ^c The average price distortion resulting from tariffs on output goods of the motor vehicles and parts industry is derived from Australian Customs tariff schedules and ABS merchandise trade imports. ^d The tariff assistance estimates are initially derived using 2004-05 ABS Input-Output data and are in 2004-05 dollars. These estimates are re-indexed to current year dollars using ABS Industry Gross Value Added at current prices data.

Source: Australian Customs tariff schedules, ABS merchandise trade imports and ABS Input-Output tables (2004-05), ABS Industry Gross Value Added.

Input tariff assistance (or tariff penalty) is derived by multiplying the domestic value of materials (for motor vehicles and parts) by the estimated average price distortion resulting from tariffs on inputs of goods used in the motor vehicles and parts industry. These estimates are also derived using 2004-05 ABS Input-Output tables and have been re-indexed to current year dollars using ABS Industry Gross Value Added at current prices data. These calculations are presented in table 2.

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Table 2 **Estimation of input tariff assistance (penalty) for the motor vehicles and parts industry, 2009-10**

\$ million

Australian value of materials (2004-05 values) ^a	\$ 9 155.6
Average input tariff price distortion (<i>in 2009-10</i>) ^b	0.040367
Input tariff assistance (2004-05 values)	369.6
Current prices adjustment ^c	1.248190
Input tariff assistance (penalty)	\$ 461.3

^a The Australian value of materials for the motor vehicles and parts industry (see note 'a' to table 1) is derived from the 2004-05 ABS Input-Output data. ^b The average price distortion resulting from tariffs on input goods used in the motor vehicles and parts industry is derived from Australian Customs tariff schedules and ABS merchandise trade imports. ^c The tariff assistance estimates are initially derived using 2004-05 ABS Input-Output data and are therefore in 2004-05 dollars. These estimates are re-indexed to current year dollars using ABS Industry Gross Value Added at current prices data.

Sources: Australian Customs tariff schedules, ABS merchandise trade imports, ABS Input-Output tables (2004-05), ABS Industry Gross Value Added.

A detailed explanation of how the Commission's tariff assistance system and the derivation of assistance estimates is provided in the methodological annex to the Trade & Assistance Review 2008-09 at:

(http://www.pc.gov.au/_data/assets/pdf_file/0006/114576/tar0809-annex.pdf, pp. 11-16).

119. The Commission does not calculate the likely impacts of alternative policy settings as part of its Trade and Assistance Review reporting. However, the 2010-11 Report, to be released in early June 2012, will present the full-year impact for 2010-11 of the motor vehicle industry tariff reduction to 5%.