

Future Made in Australia legislation

Opening statement to Senate Economics Legislation Committee inquiry into the Future Made in Australia (FMIA) legislation, 29 August 2024

Dr Alex Robson, Deputy Chair, Productivity Commission

Thank you chair and thank you for the opportunity to appear in front of the Committee.

The Productivity Commission (PC) very much welcomes the government's development of a clear framework – via the National Interest Framework (NIF) – to assess which sectors would be eligible for assistance under the proposed Future Made in Australia legislation.

The PC also recognises that the FMIA program is proposed in the context of major shifts in the economy here and abroad.

In this context, the FMIA bills aim to build supply chain resilience, encourage domestic emissions abatement, and position Australia to benefit from the global net-zero transition.

Careful policy design and implementation will be critical to the management of key risks, however.

History shows that industry policy, when poorly designed, can be costly, act as a form of trade protection, and distort the allocation of Australia's scarce resources towards activities that Australia is not best placed to undertake.

That said, the PC has not been directed by government to assess individual policy announcements associated with FMIA.

Our submission is not about analysing or assessing individual policies.

Instead, the substance of the submission is to advocate for rigorous and transparent processes in deciding how to allocate industry assistance.

In particular, the aim of our submission is to suggest six enhancements that we believe would improve the rigor and transparency of decisions made under the Future Made in Australia legislation.

These include:

1. That FMIA support should be limited only to sectors that pass NIF sector assessments
2. Programs already announced under the FMIA program to-date should be subject to the NIF sector assessments
3. Data and reasoning underlying NIF sector assessments should be made public
4. Community Benefit Principles (CBPs) should be applied in a transparent way that supports the efficient achievement of the primary objectives of the NIF and the FMIA program

5. NIF sector assessments should be periodically evaluated and reviewed by an independent process or body
6. Off-ramps should be built into policy design, and triggered in the event that FMIA supports are not achieving their policy goals.

Thank you and I welcome your questions.