

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED
LIMITED B
GATT/CP/58/Add.11
8 September 1950
ORIGINAL : ENGLISH

CONTRACTING PARTIES

S U B S I D I E S

NOTIFICATIONS REQUIRED BY ARTICLE XVI AND BY
THE DECISION OF THE CONTRACTING PARTIES OF
2 MARCH 1950

Notification by Australia

In accordance with the decision taken by the Contracting Parties at the Eleventh meeting on 2nd March 1950, the following report is submitted on subsidies, including any form of income or price support, which operates directly or indirectly to increase exports of any product from, or to reduce imports of any product into Australia.

I. Sulphate of Ammonia

A subsidy not exceeding in total an amount of £500,000 for the year 1950/51 is at present paid on sulphate of ammonia as a means of assistance to certain agricultural industries. Although the actual amount of subsidy has been varied since the Fourth Session of the Contracting Parties, the principles of the subsidisation, and the estimated effects, remain as set out in document GATT/CP.4/39 circulated at the Fourth Session.

II. Tractors

Under the Tractor Bounty Act 1939-47, bounty is payable to tractors produced in accordance with prescribed conditions for use within Australia. The rate of bounty ranges from £32 to £72 per tractor according to the brake horse-power of the engine.

The current Legislation expires in October next and the question of continued assistance to the tractor industry has been referred to the Australian Tariff Board for enquiry and report.

This bounty may have had some indirect effects on imports but it is most difficult to assess them, and certainly they would be very slight. In the four complete post-war years for which statistics are available, Australia has imported 42,000 tractors as against 2,000 tractors locally produced and on which bounty has been paid. But for the world wide shortage of tractors Australian imports would have reached a substantially higher level.

III. Sugar and certain products made from raw cane sugar

Measures are in force regulating the production and marketing of cane sugar and certain products made from cane sugar. The measures represent a system for the stabilisation

of the return to domestic producers of a primary commodity, as distinct from a subsidization measure which operates to maintain or increase exports and to reduce or prevent an increase in imports.

The measures are based on an agreement between the Government of the Commonwealth of Australia and the Government of the State of Queensland under which the latter government agrees to take such action as is necessary effectively to control the total production of raw sugar cane, and to acquire all raw sugar manufactured from sugar cane grown in Queensland and New South Wales.

The agreement requires the Government of State of Queensland to make the following products of sugar available for sale and delivery to wholesalers and the sugar using industries at specified distribution centres throughout the Commonwealth of Australia at prescribed prices.

Refined Sugar 1A Grade.
Refined Sugar of LXD Grade.
Other Grades of Refined Sugar.
Golden Syrup and Treacle.
Mill-White Sugar.
First Quality Mill Sugar.

The prescribed prices include provision for the conditional grant of a price rebate of £2/4/- per ton in respect of Australian refined sugar used in the manufacture of fruit products.

If the Australian equivalent of the world parity price for sugar is less than the prescribed selling price of Australian sugar the Agreement provides for the grant of a price rebate on the sugar contents of manufactured goods exported from Australia. For the past nine years the Australian equivalent of the world parity price has been higher than the domestic price and therefore no price rebates have been granted except the rebates provided for in respect of manufactured fruit products. The cost of any rebates, is borne by the Australian sugar producing industry from the pool of receipts administered by the Queensland Sugar Board. Since 1932 the Government of the Commonwealth has assisted in the administration of rebate provisions of the Agreement but not on the basis of providing funds for their grant.

The administration of the agreement involves the maintenance of regulations which provide that sugar may not be imported into Australia except with the consent of the Minister for Trade and Customs.

IV. Farm Products

Australia maintains price support schemes for dairy products, and wheat. These are essentially schemes for the stabilization of returns to domestic producers and under certain conditions could affect imports and exports both directly and indirectly. However at the present time the Australian

domestic price levels for all of these commodities are substantially below world prices and these schemes would not at the present time affect imports or exports in the way envisaged in Article XVI.

- (a) Wheat: Under the Wheat Stabilization Scheme growers receive a guaranteed price based on production costs for all wheat delivered to the Australian Wheat Board. Prior to 1st December 1949, the guaranteed price was 6/8d. per bushel f.o.r. ports. Following a rise in production costs to 7/1d. per bushel the Commonwealth Government decided to meet the increased cost of 5d. by a subsidy on all domestically consumed wheat to avoid the increased cost being passed on to local consumers, particularly flour millers and stock and poultry feeders.

The estimated cost of this subsidy for the season 1st December 1949 to 30th November 1950 is £1,250,000.

The domestic price is still substantially below the export price and the subsidy does not operate to increase exports or reduce imports.

- (b) Dairy products: The Commonwealth Government pays a subsidy on milk or cream used in the manufacture of butter, cheese, dried milk (not being skimmed milk powder) condensed milk or concentrated milk for domestic consumption. The rate of subsidy for the year ending 30 June, 1950 was 9d. per lb. commercial butter, 4½d. per lb. cheese and 2½d. per lb. commercial butter basis on the butter fat content of the remaining products.

Returns to dairy farmers on milk used for manufacturing purposes have been guaranteed by the Commonwealth Government until 30th June, 1952, subject to annual adjustments according to costs of production. On that portion of dairy products sold for domestic consumption the price has been held by price control below the guaranteed return to the farmer. The difference is paid by the Commonwealth Government in the form of a subsidy at the rates mentioned above.

V. Ship Building

For some time the ship building industry has been assisted by the Government meeting the approximate difference in cost between Australian and United Kingdom ship building costs, provided that such assistance did not exceed 25% of the Australian cost. In actual practice the assistance where given has been less than the 25% maximum.

The Commonwealth Government recently announced its intention to combine a measure of financial assistance to the ship building industry with import control over vessels of any origin. The final details of the new procedure for assistance have not yet been determined. The general objective of the measure is to ensure that all Australian ship owners use some proportion of Australian built vessels.

This scheme of assistance has been developed solely for the purpose of maintaining adequate ship building and ship repair facilities in Australia in accordance with overall defence requirements. Although combined financial assistance and import control will restrict imports of vessels it is not practicable to attempt any assessment of the effects of the scheme until final details have been approved and put into operation.

VI. Flax

The Australian Government recently approved payment of a subsidy to the Flax weaving industry. The subsidy will be paid in respect of all scutched fibre of Australian origin used by weavers on the basis of £A.60 per ton for C. Grade tank retted flax, proportionate adjustments being made for other grades. This decision is based on a recommendation of the Australian Tariff Board following an investigation of the flax spinning and weaving industry.

Final details of the payment of the subsidy are still being determined and the subsidy is in fact not yet in operation. It is therefore not practicable to indicate at this stage to what extent, if any, the subsidy would affect imports. However, the Australian Government has directed that it be reviewed at the end of twelve months and that in any event it be limited to a period not exceeding two years.

