

GENERAL AGREEMENT ON TARIFFS AND TRADE

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SUBSIDIES

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Addendum

AUSTRALIA

CONSOLIDATED NOTIFICATION, 1969

I. Wheat

1. Nature and extent of the subsidy

(a) Background and authority

Complementary Commonwealth and State legislation authorized the first five-year stabilization plan in 1948/49. The scheme has been continued by successive five-year plans with some changes in various aspects. The current plan operates from 1 December 1968.

(b) Levy

Operation of the stabilization arrangement involves the building up of a fund contributed by growers from a levy on exports when the average export price exceeds the sum of the guaranteed (export) price plus 5 cents per bushel, and payments from the fund to producers if the average export price falls below the guaranteed price.

(c) Incidence

The Commonwealth Government guarantees to producers returns equal to the guaranteed price in respect of exports up to 200 million bushels per annum under the current plan. Since 1963/64 the guaranteed price has been as follows:

Season	\$A per bushel
1963/64	1.44 f.o.r. ports
1964/65	1.46 f.o.r. ports
1965/66	1.517 f.o.r. ports
1966/67	1.55 f.o.r. ports
1967/68	1.64 f.o.r. ports ¹
1968/69	1.45 f.o.b. vessel ¹

¹ Equivalent to about \$A 1.415 f.o.r. ports.

If the return from exports falls below the guaranteed return, the deficiency is met by payments from the fund. If the fund becomes exhausted, the deficiency is met by the Commonwealth Government.

(d) Amount of subsidy paid

Stabilization payments were first made to growers in respect of the 1954/55 season. Before that, growers paid into the fund. Since 1963/64 payments have been:

Season	Amount \$A '000
1963/64	1,892.6
1964/65	18,069.1
1965/66	16,154.4
1966/67	15,508.1
1967/68	42,869.5

It is to be noted that up to 1959/60, payments to growers from the stabilization fund were met from moneys contributed by growers. The payment in respect of the 1959/60 season's wheat exhausted growers' money in the fund and required a Commonwealth Government contribution of \$A 6,043,932. The Commonwealth Government has met, in full, the stabilization payments made since that time.

(e) Estimated amount per unit

Season's pool	Stabilization fund payment (cents per bushel)	Export quantity covered (million bushels)
1963/64	1.252	150
1964/65	12.046	150
1965/66	16.770	150
1966/67	10.339	150
1967/68	23.579	150

2. Effects of subsidy

(a) The stabilization scheme did not involve any contribution from Government funds until the 1959/60 season. It is difficult, because of other factors, to assess any quantitative effect on exports the scheme may have had.

(b) Australia

Wheat - Production, Consumption, Exports and Imports¹

(million bushels)

	Season 1964/65	Season 1965/66	Season 1966/67	Season 1967/68	Season 1968/69 ²
Production	368.8	259.7	466.6	277.3	535.4
Consumption (local)	97.1	92.2	88.6	100.0	n.a.
Exports	269.0	280.1	316.0	207.9	n.a.

¹Imports are small and very infrequent, the last occasion being in 1957/58.

²Preliminary estimate.

II. Sugar

1. Nature and extent of the subsidy

(a) Background and authority

This is a system of rebating part of the price of sugar used in manufacturing certain exported products. Under this arrangement, which has operated for over forty years, a rebate, the cost of which is borne by the Australian sugar industry, is paid to users of that sugar. The system has been authorized in legislation enacted by the Commonwealth Parliament.

(b) Incidence

The legislation requires that when the world parity price for sugar is less than the price for Australian sugar, rebates, equal to the difference between the two prices, are granted to exporters of fruit products and other approved manufactured products exported from Australia, according to the sugar content of the products.

(c) Amount of subsidy paid

In the year ended 30 June 1968, the sum of \$A 857,316 was paid in export rebates on approved products other than fruit products. Export rebates on fruit products are paid on the basis of a September-August year, and amounted to \$A 1,874,803 in the year ended 31 August 1968.

(d) Rate of subsidy

Export rebate was paid during these periods on approximately 26,416 metric tons of refined sugar. The average rate of export rebate during the periods mentioned was approximately \$A 103 per ton.

2. Effects of subsidy(a) Quantitative effect

The rebate provided for by legislation is designed to remove any disability in relation to exports of products containing sugar arising from payment of prices for domestic sugar above ruling free market levels. Its effect is to place the Australian exporter of these products in the same position as if he imported the cheapest available sugar, of similar quality, free of duty. It is thus intended to safeguard, not to stimulate, exports of products containing sugar.

(b) Statistics

Raw Sugar¹: Production, Consumption,
Imports and Exports

('000 metric tons 96°)

Year	Production	Consumption	Imports	Exports
1962/63	1,918.8	616.9	-	1,301.9
1963/64	1,788.1	631.1	-	1,156.9
1964/65	2,022.8	652.2	-	1,370.6
1965/66	2,026.2	662.3	-	1,363.9
1966/67	2,430.2	668.4	-	1,761.8
1967/68	2,421.3	656.5	-	1,764.8

¹Season (June-May).

The export statistics do not include the sugar content of manufactured products, i.e. the sugar on which the export rebate is paid. This sugar, approximately 26,416 metric tons (refined), for 1967/68 and 38,608 tons for the previous year, is included in the statistics of consumption.

(c) Previous representative year

The export rebate system has been in force for such a long period, and the fluctuations of the world parity price are so frequent, that comparison of the amounts or rates paid in different years would be meaningless.

III. Dairy products

1. Nature and extent of the subsidy

(a) Background and authority

The Dairying Industry Act, 1962, provided for the payment, through factories, of bounties to producers on the production of butter, butterfat products containing not less than 40 per cent of butterfat, and on cheese, for a period of five years from 1 July 1962. In 1967 the Act was amended to extend the bounty payments for a further period of five years.

The Processed Milk Products Bounty Act, 1962/1965, provided for payment of a bounty on the butterfat content of processed milk products exported between 1 July 1962 and 30 June 1967. The period for application of this bounty has also been extended to 30 June 1972.

(b) Incidence

Bounties on butter and cheese production are paid to the Commonwealth Dairy Produce Equalization Committee Limited, a voluntary industry organization, for distribution to butter and cheese factories. The factories are in turn required by the legislation to pass the moneys on to farmers. The bounty on processed milk products is paid to the manufacturers to enable them to have access to milk on the same terms as butter and cheese factories. The bounty is payable only in respect of processed milk products exported.

(c) Amount of subsidy paid

Regardless of the fluctuations in the level of production, a fixed amount of \$A 27 million per annum is paid for bounties on butter and cheese production. The bounty on processed milk products is made available as a maximum amount for each year. For 1963/64 a maximum amount of \$A 1 million was made available but since 1964/65, the maximum allocation has been fixed at \$A 800,000 per annum. This is also the annual amount covered by legislation until the end of the current five-year scheme in 1972.

(d) Estimated amount per unit

The amount of subsidy per unit has generally been slightly in excess of 5 cents per pound for butter and a little over 2 cents per pound of cheese produced. The estimated amount of subsidy per unit in 1968/69 is expected to be 5 cents per pound for butter and 2.4 cents per pound for cheese produced. From 1968/69 it is proposed to make equal payments, on a butterfat basis, to butter and cheese producers. On a butterfat basis the amount per unit of processed milk products is not to exceed the bounty rate for butter.

2. Effect of the subsidy

The bounties on butter and cheese are intended primarily to reduce the prices of these products to the Australian consumer and so maintain a high level of domestic consumption.

The bounty on processed milk products is designed to correct an anomaly in competition for milk supplies between subsidized butter and cheese factories and otherwise unsubsidized processors of milk products.

Government underwrites minimum final return

From 1958/59 to 1966/67 the Commonwealth Government underwrote a minimum return to factories to permit an average payment to producers of 33.333 cents per pound, commercial butter basis, for each season's production of butter and cheese. For 1967/68 and 1968/69 the underwritten level has been raised to 34 cents per pound.

Each year producers receive interim payments from factories in anticipation of realizations from the sale of butter and cheese. The purpose of the underwriting arrangement is to enable factories to advance a greater part (up to the underwritten level) of the anticipated return to producers, before full realizations from butter and cheese sales come to hand. The underwriting has not required any payment of subsidy additional to the \$A 27 million mentioned above.

Production, Consumption, Exports and Imports: Australia Factory Butter ('000 tons of 2,240 lb.)

	1964/65	1965/66	1966/67	1967/68
Production	203.1	205.3	218.3	192.8
Consumption	113.2	111.6	114.1	115.2
Exports ¹	96.8	85.3	105.5	79.6
Imports	-	-	-	-

¹Including butter equivalent of butter concentrate, dry butterfat, butter oil and ghee.

Factory Cheese ('000 tons of 2,240 lb.)

	1964/65	1965/66	1966/67	1967/68
Production	61.6	538.6	68.7	70.0
Consumption	37.8	40.7	40.7	40.0
Exports	27.2	24.9	25.5	34.1
Imports	3.3	3.9	3.9	4.3

Processed Milk Products: Condensed Milk (tons of 2,240 lb.)¹

	1961/62	1962/63	1963/64	1964/65	1965/66	1966/67	1967/68
	S Us	S Us	S Us	S Us	S Us	S Us	S Us
Production	28,258	33,720	42,743	45,750	33,029	27,460	17,856
Consumption	34,937	34,502	32,127	39,906	39,500	40,937	41,814
Exports	50,800	50,400	56,500	60,100	63,900	63,300	n.a.
Imports	16,084	24,300	31,051	34,853	19,938	15,979	5,913
	-	-	-	-	-	-	-

¹Includes condensed, concentrated and evaporated skim milk for 1961/62 and later years, and ice cream mixes for 1963/64 and subsequent years.

S = Sweetened.
Us = Unsweetened.

Processed Milk Products: Powdered Milk (Full Cream) (tons of 2,240 lb.)

	1961/62	1962/63	1963/64	1964/65	1965/66	1966/67	1967/68
Production	20,235	17,725	18,830	19,495	20,116	21,436	21,678
Consumption	12,700	12,200	11,700	12,200	10,200	8,900	n.a.
Exports	5,823	6,368	6,813	8,365	9,009	12,626	11,101
Imports	-	-	-	-	-	-	-

¹Excludes buttermilk and mixed skim and buttermilk for years prior to 1963/64.

Processed Milk Products: Infants' and Invalids' Food (Excluding Malted Milk) (tons of 2,240 lb.)

	1961/62	1962/63	1963/64	1964/65	1965/66	1966/67	1967/68
Production	17,025	17,172	19,690	20,169	20,214	22,030	21,244
Consumption	11,511	12,745	13,600	15,400	16,300	19,600	n.a.
Exports	6,530	6,717	8,002	7,376	5,938	4,776	2,982
Imports	122	83	110	112	93	89	159

IV. Cotton

1. Nature and extent of subsidy

(a) Background and authority

The Cotton Bounty Act, 1951/58 provided for the payment of a bounty on seed cotton produced in Australia. From 1 January 1964, the Raw Cotton Bounty Act 1965/69, to apply initially for a five-year period, made bounty payable on raw cotton of specified grades produced after 1 January 1964, and sold for use in Australia. An amendment to the Act in 1968 made bountiable all raw cotton, within the specified grades, produced in Australia. In April 1969, the Act was extended for a further three years commencing with 1969 and amended to provide that during this period the bounty will be phased out. According to these provisions 1971 will be the last year in which bounty will be payable.

(b) Incidence

Bounty is payable on grades of cotton higher than "strict good ordinary" and of a staple length of 7/8 inch and longer.

Payment of the bounty is made to the grower through the processor who is required to distribute it under specified conditions on the minimum grade and staple as above.

The rate of bounty payable from 1 January 1964, in respect of raw cotton of the grade "middling white" and having a staple length of 1 inch, is 13.4375 cents per pound with differentiated rates of bounty for other grades and staples above and below that grade. The total amount available for bounty payments in any year up to and including 1969 is \$1.4 million. In 1970 the amount available will be \$1.3 million and in 1971 it will be \$1.2 million. After that time no bounty will be payable. In any one year where the amount of bounty payable in the aggregate exceeds the total amount available the unit rate of bounty is reduced in the same proportion as the amount available bears to the aggregated claims.

(c) Amount of bounty

As shown above, up until 1969 total bounty payments in respect of raw cotton in any year must remain within the limit of \$1.4 million. In 1970, this limit will be reduced to \$1.3 million, and in 1971 it will be \$1.2 million. Bounty will not be payable after that time.

Estimated total payments during the five-year period 1964 to 1968 under the Raw Cotton Bounty scheme were:

Crop year	Bounty payments
1964	\$1 803,000
1965	\$1 3,041,000
1966	\$1 3,998,000
1967	\$1 4,000,000
1968	\$1 4,000,000

(d) Estimated bounty payment per unit

Following are the estimated average bounty payments per pound of cotton lint under the Raw Cotton Bounty Act of 1963/69.

Crop year (March-February)	Production (1000 bales of 480 lb.)	Average bounty paid (Australian cents per lb.)
1964	11.0	13.44
1965	44.0	13.44
1966	91.0	8.91
1967	84.0	9.84
1968	150.0	5.78
1969 (estimated)	161.0 (estimated)	5.175

2. Effects of the subsidy

The payment of bounty on raw cotton lint was primarily designed to encourage the domestic production of high-quality cotton. Since 1964, the first year of operation of the Raw Cotton Bounty Act 1963/69, domestic production of cotton has risen to the level of self-sufficiency, with the exception of certain long stapled combing cottons which continue to be imported.

Raw Cotton Statistics

('000 lb.)

Year	Consumption (spinning and weaving)	Imports
1963/64	54,922.0	56,663.0 ^{1/}
1964/65	60,790.0 ^{2/}	55,474.0
1965/66	59,849.0	32,096.0
1966/67	64,006.0	19,963.0
1967/68	n.a.	27,045.0

^{1/}Amends previously notified figure of 56,664,000 lb.

^{2/}Amends previously notified figure of "n.a.".

Source: Bureau of Census and Statistics - Overseas Trade Bulletin No. 65.
Manufacturing Industries Bulletin No. 10.

V. Sulphate of ammonia

1. Nature and extent of subsidy

(a) Background and authority

Bounty on sulphate of ammonia is paid by authority of the Sulphate of Ammonia Bounty Act 1962-1966. This authority was extended by amendments to legislation operative from 5 April 1966 and 29 October 1966. The current Act is due to expire on 31 December 1969. The bounty, which is paid to assist local producers to meet competition from imports without increasing costs to users, followed from a recommendation made by the Tariff Board after public enquiry. As from 26 October 1966, a 10 per cent profit limitation provision was replaced by an annual bounty ceiling.

(b) Incidence

The bounty is payable in respect of sulphate of ammonia produced at registered premises and sold for use in Australia as a fertilizer.

(c) Amount of bounty paid

Year	\$'000
1965/66	426.6
1966/67	829.9
1967/68	565.2

(d) Rate of bounty

The current rate of bounty is \$1.8 per ton. The maximum payment for each year is \$1.1 million. Pro rata adjustments occur when bounty payable on eligible sales would otherwise exceed the prescribed ceiling.

2. (a) Effect of subsidy

The bounty assists domestic production without cost penalty to domestic users.

(b) Statistics

Year	Imports ('000 long tons)	Local production ('000 long tons)
1965/66	44.6	118.4
1966/67	71.5	110.2 ^{1/}
1967/68	113.2	70.4 ^{1/}

^{1/}Subject to revision.

VI. Urea1. Nature and extent of subsidy(a) Background and authority

Bounty on urea is paid by authority of the Urea Bounty Act 1966, operative from 29 October 1966. The bounty, which is paid to assist local producers to meet competition from imports, followed consideration by the Government of a recommendation made by the Tariff Board after public enquiry. The current Act is due to expire on 31 December 1969.

(b) Incidence

The bounty is payable in respect of urea produced at registered premises and sold for use in Australia as a fertilizer.

(c) Amount of bounty paid

Year	\$1 '000
1965/66	Nil
29 October 1966 - 30 June 1967 ^{1/}	8.6
1967/68	163.0

^{1/}Urea Bounty Act commenced operation
29 October 1966.

(d) Rate of bounty

The rate of bounty is \$1.16 per ton, provided the total bounty paid does not exceed \$1,500,000 per annum.

2. (a) Effect of the bounty

The bounty continues to aid the chemical industry in overcoming its size disadvantage and has enabled urea to be supplied to the national market from local production at a competitive price.

(b) Statistics

Year	Production in Australia ('000 long tons)	Imports ¹	
		Quantity ('000 long tons)	Value (f.o.b.) (\$1,000)
1964/65	Not recorded	35.4	3,347.6
1965/66	Not recorded	32.1	2,652.3
1966/67	5.3	56.5	3,765.6
1967/68	15.2	112.9	7,159.1

¹ Fertilizer grade, containing 45 per cent or more of nitrogen.

Exports of urea from Australia are negligible. The exports of all nitrogen function compounds (including urea) from Australia in 1967/68 totalled \$1,35,000.

VII. Nitrogenous fertilizers

1. Nature and extent of subsidy

(a) Background and authority

Subsidy on nitrogenous fertilizers is paid under the Nitrogenous Fertilizers Subsidy Act 1966. It provides for payment of subsidy on fertilizers containing manufactured nitrogenous substances or of natural sodium nitrate, including urea. It is due to expire on 31 October 1969.

(b) Incidence

The subsidy is payable to the producer and/or importer of the goods. The Act requires that the full benefit of the subsidy received must be passed on to the end-users of the fertilizers. Subsidy is payable on imports when there is a "shortfall" between local production and demand.

(c) Amount of subsidy paid

Year	\$A '000
1965/66	Nil
17 August 1966- 30 June 1967 ^{1/}	6,725.8
1967/68	10,307.5

^{1/} Nitrogenous Fertilizers
Subsidy Act commenced operation
17 August 1966.

(d) Rate of subsidy

The rate is \$A. 80 per ton of nitrogen content in the fertilizer.

2. (a) Effect of subsidy

The effect of the subsidy has been to reduce costs for industries which have been major users of nitrogen and to encourage the use of nitrogenous fertilizers in newer fields such as cereal growing and pasture improvement.

(b) Statistics

- (i) Nitrogenous fertilizers, other than sulphate of ammonia and urea, are not separately recorded in official production statistics.
- (ii) Consumption, imports and exports of nitrogenous fertilizers in Australia:

Consumption and Imports

Year	Apparent consumption ('000 long tons of N)	Imports	
		Quantity ('000 long tons)	Value f.o.b. (\$A '000)
1964/65	67.4	125.4	6,048.0
1965/66	68.1	88.3	4,283.0
1966/67	100.9	144.5	6,896.8
1967/68	130.5	190.8	8,099.0
1968/69	161.0	n.a.	n.a.

- 1. Exports of nitrogenous fertilizers from Australia are negligible.

VIII. Sulphuric acid

1. Nature and extent of subsidy

(a) Background and authority

Bounty on sulphuric acid is paid by authority of the Sulphuric Acid Bounty Act 1954-1966. Bounty is paid to those Australian producers who had converted, or erected, plants to use Australian raw materials, while the supply of overseas brimstone had been uncertain. The Act is due to expire on 30 June 1970.

(b) Incidence

Bounty is payable in respect of sulphuric acid:

- (i) produced at a factory in the bounty period from prescribed materials of Australian origin;
- (ii) sold by the producer for delivery in Australia or used by the producer in the production in Australia of any commodity.

(c) Amount of bounty paid

Year	\$A '000
1965/66	1,905.9
1966/67	1,556.0
1967/68	1,285.9

(d) Rate of bounty

The current bounty rates for 100 per cent sulphuric acid, produced from the following materials, are as follows:

- (i) indigenous pyrites - \$A 5 per ton;
- (ii) lead sinter gas - \$A 2.20 per ton plus (or minus) 17.5 cents for each 50 cents (or part thereof) by which the determined average landed cost of imported brimstone in the preceding financial quarter was less than (or exceeded) \$A 32 per ton.

There has been a limitation of the amount of bounty payable when the producer's annual profit would otherwise exceed $12\frac{1}{2}$ per cent, inclusive of the bounty.

2. (a) Effect of subsidy

The effect of the subsidy is to encourage the use of Australian raw materials by compensating manufacturers for extra costs involved in using these rather than imported brimstone. However, imports of brimstone are increasing as manufacturers are preferring this material to pyrites, which requires more capital cost in plant. Imports and exports of sulphuric acid are negligible.

(b) Statistics

Year	Imports of brimstone ('000 long tons)	Local production of sulphuric ('000 tons of 100% acid)
1965/66	403.7	1,752.0
1966/67	498.9	1,991.0
1967/68	577.3	1,893.0

IX. Pyrites1. Nature and extent of subsidy(a) Background and authority

Prior to 1960, bounty was paid to both pyrites and sulphuric acid producers under the Sulphuric Acid Bounty Act 1954-1959, at a rate sufficient to compensate them for the extra cost of pyrites in comparison with imported brimstone. However, following consideration by the Government of a recommendation made by the Tariff Board after public enquiry, pyrites producers became eligible to receive a separate bounty under the Pyrites Bounty Act 1960-1965. The Act is due to expire on 30 June 1970.

(b) Incidence

The bounty is payable under specified conditions in respect of pyrites produced at registered premises and sold for use in Australia in the preparation of sulphuric acid.

(c) Amount of bounty paid

Year	\$A '000
1965/66	\$54.0
1966/67	103.3
1967/68	Nil

(d) Rate of bounty

When the landed cost of imported brimstone in a financial quarter is \$A 32, a basic bounty rate of \$A 6 per ton of pyrites is payable. This rate varies inversely according to the amount by which the determined average landed price per ton of imported brimstone in the preceding quarter is more or less than \$A 32, but bounty is not payable when the landed cost of brimstone in the preceding quarter exceeds \$A 38. The payment of bounty also ceases when the producers annual profit, including bounty, would otherwise exceed 12½ per cent. Due to the landed cost of imported brimstone, no bounty has been paid since the quarter ending 30 June 1966.

2. (a) Effect of subsidy

See comments on Sulphuric Acid Bounty.

(b) StatisticsIron Pyrites on which Bounty Paid

Year	'000 long tons (sulphur content)
1965/66	99.2
1966/67	54.2
1967/68	Nil

X. Phosphate fertilizers1. Nature and extent of subsidy(a) Background and authority

Bounty on phosphatic fertilizers is paid by authority of the Phosphate Fertilizers Bounty Act 1963-1968. The original Act, extended by amendment in 1966, has now been extended to 1971.

(b) Incidence

Bounty is payable in respect of specific phosphatic fertilizers, i.e., super-phosphate and ammonium phosphate. It is paid to the producer with the legislative requirement that the full benefit is passed on to the end-user.

(c) Amount of bounty paid

Year	\$A '000
1965/66	24,983.4
1966/67	26,248.1
1967/68	23,564.3

(d) Rate of bounty

The operative rate, in respect of the 1963/66 legislation, was \$A 6 per long ton of superphosphate, provided the phosphorus pentoxide content was between 19.5 per cent and 20.5 per cent. On double and triple strength superphosphates and on ammonium phosphate, the rate was \$A 30 per long ton of the phosphorus pentoxide content. In 1968 the rates were increased to \$A 8 and \$A 40 respectively, and the legislation provides for specified trace elements, if added to superphosphate, to attract bounty as superphosphate.

2. Effect of bounty

(a) The trend of increased importations of the main basic ingredients (phosphate rock and sulphur) continues. Usage of phosphatic fertilizers suffered some reversal in 1967/68, due to the incidence of drought.

Overall, the bounty has had the effect of reducing costs and encouraging greater use of phosphate fertilizers as a means of increasing production, particularly in the wool and wheat industries.

(b) Statistics

Phosphate Rock

Year	Imports		Local production
	Quantity ('000 long tons)	Value (\$A '000)	
1965/66	2,795.0	21,543.0	Nil
1966/67	3,272.0	29,050.0	Nil
1967/68	3,296.0	32,162.0	Nil

Sulphur

Year	Imports		Local production
	Quantity ('000 long tons)	Value (\$A '000)	
1965/66	404.0	9,142.0	Nil
1966/67	499.0	15,292.0	Nil
1967/68	577.0	21,302.0	Nil

Superphosphate

Years	Imports ('000 long tons)	Local production ('000 long tons)
1965/66	0.3	4,185.0
1966/67	0.3	4,596.0
1967/68	0.3	4,296.0

Exports of phosphate fertilizers from Australia are not separately recorded.

XI. Agricultural tractors

1. Nature and extent of subsidy

(a) Background and authority

Bounty on agricultural tractors is paid by authority of the Agricultural Tractors Bounty Act 1966.

Bounty is payable on tractors of twenty or more power-take-off horsepower. The Act replaced the Tractor Bounty Act 1939-1966, and is due to expire on 30 June 1971. It commenced on 26 October 1966.

(b) Incidence

The bounty is payable in respect of tractors manufactured at registered premises, for sale for use in Australia or in a territory of the Commonwealth not forming part of the Commonwealth.

(c) Amount of bounty paid

Year	\$A '000
1965/66	Nil
26 October 1966- 30 June 1967 ¹	1,009.8
1967/68	2,414.8

¹Agricultural Tractors Bounty Act commenced operation 26 October 1966.

(d) Rate of bounty

The rate of bounty per tractor is initially calculated as a figure varying between \$A .520 and \$A .800, according to the power-take-off-horsepower of the engine of the tractor. This figure is then reduced according to the percentage of local content in order to arrive at the amount of bounty payable, which in 1967/68 averaged \$A 511 per tractor.

2. (a) Effect of subsidy

The bounty appears to be according reasonable protection to local manufacturers without increasing costs to primary producers.

(b) Statistics

Agricultural Tractors

Year	Imports (\$A '000)	Local production	
		Sales (No.)	Value (\$A '000)
1965/66	59.1	3,666	12,483.9
26 October 1966- 30 June 1967 ¹	14.5	2,033	7,753.2
1967/68	12.4	4,722	18,942.1

¹Agricultural Tractors Bounty Act commenced operation 26 October 1966.

XII. Cellulose acetate flake

1. Nature and extent of subsidy

(a) Background and authority

- (i) Payment of bounty on cellulose acetate flake produced and sold for rayon yarn manufacture was commenced in 1956, after consideration

by the Government of a recommendation by the Tariff Board after a public inquiry. The question of continued assistances was referred to the Board for a further public inquiry in 1964 and, as a consequence, the effective date of the bounty has been extended to 31 December 1969.

- (ii) The bounty is paid under the Cellulose Acetate Flake Bounty Act, 1956-1966.

(b) Incidence

The bounty is payable in respect of cellulose acetate flake produced at registered premises and sold for use in the manufacture, in Australia, of cellulose acetate rayon yarn.

(c) Amount of bounty paid

Year	\$A '000
1965/66	227.7
1966/67	217.5
1967/68	220.5

(d) Rate of bounty

The current rate of bounty is normally 5 cents per pound, but the amount available for the total bounty payment has been limited to \$A 224,000 for each bounty year since 19 March 1965.

2. (a) Effect of subsidy

The effect has been to maintain the efficient operation of this segment of the chemical industry.

(b) Statistics

Imports of cellulose acetate flake into Australia are negligible and cellulose acetate flake is not separately recorded in official production or export statistics.

XIII. Shipbuilding

1. Nature and extent of the subsidy

(a) Background and authority

In order to maintain an effective shipbuilding industry in Australia, the Commonwealth Government provided in 1946 for subsidy payments of up to 25 per cent of the construction cost of vessels built in Australia, under approved conditions, for use on the Australian coast or on Australian inland waterways.

Following a public inquiry and report by the Tariff Board, the maximum rate of subsidy was increased in 1956 from 25 per cent to 33 1/3 per cent. In May 1964, the subsidy which was hitherto payable in respect of vessels of 500 tons gross and over, was extended at its existing rate of up to one third of cost of construction to include all types of vessels of 200 tons gross and over. The present arrangements will continue until December 1969, pending a further inquiry by the Tariff Board.

(b) Incidence

The subsidy is only payable in respect of vessels of or exceeding 200 tons gross; for those vessels the Australian Shipbuilding Board calls for tenders from recognized Australian shipbuilding yards.

The tender is then let and the vessel constructed, the price being paid by the Australian Government by whom the vessel is subsequently sold to the ultimate purchaser at a price reduced by the amount of the subsidy - which cannot exceed 33 1/3 per cent of the construction cost.

(c) Amount of subsidy paid

The amounts paid for the last four years were:

Year	\$A '000
1964/65	5,878.3 ^{1/}
1965/66	7,796.2
1966/67	11,360.5
1967/68	11,611.8

^{1/}Amends previously notified figure of
\$A 3,981.7

These amounts include subsidies paid on account of vessels being constructed as well as those completed during the period specified.

(d) Estimated amount per unit

This amount varies according to the type and cost of each ship, but is limited to 33 1/3 per cent of the total cost of building the ship.

2. Effect of subsidy

(a) The subsidy assists Australian shipbuilders without increasing shipping costs.

(b) The following are import and production figures for vessels of or exceeding 200 tons gross:

Imports of Vessels Exceeding 200 Tons Gross

Year	For permanent retention	For temporary operation	Since re-exported
1965/66	4	3	2
1966/67	Nil	8	5
1967/68	2	22	9

Local Production of Vessels Exceeding 200 Tons Gross

Year	Subsidized	Non-subsidized	New vessels sold overseas
1965/66	9	1	Nil
1966/67	7	4	Nil
1967/68	11	5	Nil