

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED

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STATE TRADING

Notifications Pursuant to Article XVII:4(a)

Addendum

AUSTRIA

A. Financial Monopolies

I. Enumeration of State-trading enterprises

In Austria there exists State trading in the form of three financial monopolies:

- (a) Tobacco (raw and manufactured), tobacco substitutes and certain products thereof (Tobacco Monopoly).
- (b) Ethylalcohol (Alcohol Monopoly)
- (c) Salt (= sodium chloride) (Salt Monopoly)

These monopolies are to be considered as State-trading enterprises, the provisions of Article XVII though constituting institutions sui generis.

II. Reason and purpose for introducing and maintaining State-trading enterprises

The principal purpose of the Austrian monopolies is of fiscal nature. Additionally the monopolies as market regulations have to fulfil significant tasks in the field of economic, agricultural, social and public health policies.

The Tobacco Monopoly, apart from its fiscal purposes has social functions in so far as shops for tobacco products (wholesale and retail shops) are reserved mainly for war invalids and for victims of the fight for a free and democratic Austria.

The Alcohol Monopoly, apart from its fiscal purposes, by means of taxation of alcohol also aims at a restriction of the consumption and minimizing its serious effects on public health. In addition the alcohol monopoly serves to achieve agricultural purposes (production of efficient feeding stuffs and fertilizers). Owing to the geographical situation of Austria - wide agricultural areas have unfavourable soil and climate conditions - these agricultural purposes are of special importance. In order to maintain the fertility and productivity of these

areas and therewith to enable an established position to the farms in these areas adequate cultivation of hoed crop - especially potatoes - is necessary. Agricultural distilleries have been established to commercialize these agricultural products from the above-mentioned areas, which are in an extremely unfavourable traffic situation. Additionally the residues of these distilleries form an important basis for feeding stuffs and enable intensive cattle breeding. Furthermore the Alcohol Monopoly has to fulfil important social and public health tasks owing to the fact that it has to supervise the production and the quality.

The Salt Monopoly, apart from its fiscal purposes, fulfils the task to guarantee the supply of the necessary salt to consumers. With regard to the neutrality of Austria and to the necessity of sufficient supply of the population even in the case of a world crisis the Salt Monopoly serves national defence purposes as well. At the same time public health aspects (iodizing) have to be taken into consideration.

III. Description of the functioning of the State-trading enterprises

(a) Tobacco, raw or manufactured, tobacco refuse, tobacco extracts, tobacco essences, tobacco substitutes and certain products thereof are subject to the Tobacco Monopoly. The Tobacco Monopoly is a Federal monopoly. It covers the production, the processing, the importation and the use of monopoly goods and trade with such goods. The monopoly authority is the Federal Ministry for Finance and its subordinated financial authorities. Among others the monopoly authority is competent for price fixing, for granting monopoly licences and for prosecution of violations of the monopoly regulations. The administration of the monopoly is carried out by the Austrian Tabakwerke AG (formerly Osterreichische Tabakregie), the only shareholder of which is the Federal Republic of Austria.

The production, the processing and the use of monopoly goods as well as the trade with such goods are undertaken by the Austrian Tabakwerke AG. In so far as the trade with monopoly goods is not carried out by the Austrian Tabakwerke AG, it is carried out by tobacco retailers contractually bound to the Austrian Tabakwerke AG. The necessary monopoly licence in this respect is to be granted by the Federal Ministry for Finance.

In so far as the tobacco monopoly provisions do not provide for exemptions, the importation of monopoly products is reserved to the monopoly administration. The monopoly administration's imports of monopoly goods are exempt from all import duties and taxes. However, there are general exemptions especially for limited imports in the framework of tourist traffic, of traffic in frontier areas and of postal traffic for gifts. Furthermore the Federal Ministry for Finance is authorized to permit in individual cases the import of monopoly goods which are for personal use and not destined for trade.

The domestic selling prices of monopoly goods are fixed by the Federal Ministry for Finance. These prices have to be approved by the Main Committee of the Parliament.

The export prices of tobacco products are determined by the costs of production and the conditions prevailing on markets abroad. The mark-up on imported tobacco products consists of the total internal selling costs (especially all taxes, margin charged on the resale and other charges) plus the profit margin realized on domestically-produced tobacco products of this kind. The relation between sale prices of imported tobacco products and the sale prices of domestically-produced tobacco products equals the relation between the cost prices of the imports and the production costs of domestically-produced products. They are substantially on the same level considering existing differences in quality and the above-mentioned mark-up.

The Austrian Tabakwerke AG as monopoly administration in principle does not conclude long-term contracts with the suppliers of tobacco. Orders are placed according to the requirements. Purchases from abroad are undertaken in accordance with commercial considerations and taking into account customers' taste. Bearing in mind Austria's character as a country of tourism, high-quality foreign tobacco products are imported in order to satisfy demand of foreign tourists.

As a principle it is not incumbent on the Austrian Tabakwerke AG to fulfil contractual obligations undergone by the Government. Quotas sometimes granted within the framework of trade arrangements, mainly for raw and manufactured tobacco, do not constitute a strict obligation to purchase those quantities.

(b) The Alcohol Monopoly is not a "full" monopoly. As a part of the taxation levied on consumption of spirits it covers the domestically - and industrially-produced raw alcohol. Only the latter has to be handed over to the production centre of the Alcohol Monopoly which in turn refines this raw alcohol through private enterprises and finally sells the refined products. The domestic production of brandy and liqueurs for human consumption and the trade with these products are not subject to the monopoly. With regard to imports the monopoly goes somewhat further:

The importation of unmanufactured ethylalcohol and of brandy for human consumption is reserved for the monopoly administration. However, the imports are not carried out by the monopoly administration but by private firms. In accordance with the domestic requirements and bearing in mind Austria's character as a country of tourism, the monopoly administration grants licences to private firms for the importation of foreign brandies for human consumption in a liberal manner. No import licences are required for French cognac, overseas rum, arrac and liqueurs.

On the importation of alcohol and alcoholic goods a consumption tax ("Monopolausgleich") is levied, the rate of which is equivalent to the amount of the tax payable on domestically-produced alcohol.

(c) The Salt Monopoly covers the production and the importation of salt (sodium chloride). Salt both in pure state and mixed up with other elements is subject to the Salt Monopoly. All salt which nature has produced on or below the surface of the Austrian territory, in pure state or mixed up with other elements, is exclusively under national property. The importation and the transit of salt are subject to licences of the monopoly administration.

The Federal Ministry for Finance and its subordinated finance authorities are competent for all matters of monopoly law, for handling of legal provisions concerning imports and transit of salt and for prosecution of violations of the monopoly regulations.

All matters of the economic administration of the Salt Monopoly, especially the production of salt and the distribution to wholesale trade and to large-scale consumers, are carried out by the public "Salinen"-Administration. The public "Saline"-Administration has to run the tasks delegated to it according to commercial considerations and in such a way that both the domestic requirements for salt can be steadily satisfied and the enterprises work in a satisfactory manner in technical and commercial fields.

The domestic selling price of salt which is sold by the public "Salinen" is fixed by the Federal Ministry for Finance. This fixed price has to be approved by the Main Committee of the Parliament.

The public "Salinen" are capable to meet all the Austrian requirements for salt for human consumption, for cattle-salt and for industrial salt. Chemically pure sodium chloride for medical purposes and for analysis are mainly imported owing to the fact that there is no domestic production. The importation is not carried out by the monopoly administration but by private enterprises. A monopoly tax, which is fixed by the Federal Ministry for Finance with approval of the Main Committee of the Parliament ("Monopolabgabe") is levied on imported salt.

IV. Statistical information

See Annex I.

V. Reasons why no foreign trade has taken place in products affected

Concerning salt see point III(c).

VI. Additional information

None.

B. Grain Equalization Fund

(1) Legal basis

The legal basis for this State-trading enterprise is the second amendment of the Market Regulation Law dated 5 April 1960, Federal Gazette No. 85.

(2) Reasons for maintaining State-trading for cereals and products thereof

The following items are subject to State-trading according to this law (as amended):

<u>Tariff items</u>	<u>Description of goods</u>
10.01	Wheat and meslin (mixed wheat and rye)
10.02	Rye
10.03 A	Fodder barley
10.04 A	Fodder oats
10.05	Fodder maize and maize for grinding
ex 10.07	Millet of all kinds
ex 11.01	Flour of wheat, meslin, rye or maize
ex 11.02 B	The following products of wheat, meslin, rye or maize: cereal groats and cereal meal; other worked cereal grains (for example rolled, flaked, polished, pearled or kibbled) germ of cereals, whole, rolled, flaked or ground; barley, oats and millet of all kinds, ground
ex 23.02	Residues of rye qualified for the production of flour; bran, sharps and other residues derived from the sifting, milling or working of cereals and husked bran
ex 23.07	Sweetened forage; other preparations of a kind used in animal feeding, as far as they contain cereals or milling products thereof

The above mentioned products have already been subject to an intensive control by the Market Regulation Law since 1950 (import planning, import licencing, distribution regulations, transport cost compensation, grinding regulations etc.). The above mentioned amendment of this Law introduced in addition to that the obligation to offer the imported cereals to the Grain Equalization Board, in order to guarantee that all these products - even if they are liberalized - are subject to a control, which is necessary to maintain a stable price level, and to allow planning of production and sale.

(3) Description of the functioning of the State-trading enterprise

Pursuant to the above mentioned amendment of the Market Regulation Law the importers are obliged to offer imported cereals and products thereof for sale to the Grain Equalization Board. But the Grain Equalization Board is not obliged to accept the offer. Actually till now the Board did not make use of this possibility, as it has the possibility - after the usual procurement procedure - to control the price and the quality of the goods during the licensing procedure. The aim of this system is, to allow those imports, which are the most favorable in respect of quality, price, terms of delivery and payment irrespective of country of origin.

(4) Statistical data

The annexed statistics (Annex II) for the last three economic years cover only the main items as statistical data are not available for all items.

ANNEX 1

Tariff item	State-trading commodity		Imports			Exports			Domestic sales		
			1969	1970	1971	1969	1970	1971	1969	1970	1971
22.08	Spirit	in hls.	<u>1/</u>	<u>1/</u>	<u>1/</u>	19,879 ^{2/}	2,032 ^{3/}	925	190,104	209,333	215,635
		in S'000	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>	621,644	721,103	757,659
24.01	Tobacco, raw	in 100 kgs.	84,106	116,970	120,926	2,490	1,397	2,579	<u>4/</u>	<u>4/</u>	<u>4/</u>
		in S'000	292,079	437,670	386,688	7,166	5,013	4,979	-	-	-
24.02	Cigars	in 100 kgs.	22	25	26	127	75	89	4,517	4,364	4,298
		in S'000	691	714	900	2,166	2,177	2,130	118,487	116,370	113,655
	Cigarettes	in 100 kgs.	990	731	797	139	91	263	123,304	129,934	136,422
		in S'000	85,639	70,727	82,580	14,310	9,610	21,809	5,589,427	6,053,233	6,513,183
	Other tobacco goods	in 100 kgs.	280	1,972	4,815	8	1	-	6,574	5,854	5,283
		in S'000	3,261	6,099	11,073	44	3	3	116,740	106,103	99,774
25.01	Rock salt	in 100 kgs.	-	-	-	-	-	-	9,390	9,420	10,210
	Table salt	in 100 kgs.	-	-	-	-	-	-	396,630	413,000	413,550
	Cattle, and industrial salt	in 100 kgs.	139,730 ^{5/}	20,850 ^{5/}	4,500 ^{5/}	100	-	-	1,991,850	2,214,580	2,146,720
		in S'000	6,200 ^{5/}	1,121 ^{5/}	473 ^{5/}	10	-	-	105,081	116,457	111,247
	Salt liquors	in cubic metres	-	-	-	-	-	-	744,329	770,768	804,057

^{1/}Data are not available.

^{2/}These exports cover 18,201 hls. sulphide raw spirit.

^{3/}These exports cover 318 hls. sulphide raw spirit.

^{4/}Domestic production of raw tobacco in 100 kgs.

<u>1969</u>	<u>1970</u>	<u>1971</u>
6,820	5,937	6,314

^{5/}The figures for domestic sale cover the imports of cattle and industrial salt.

ANNEX II

Tariff item	Description of products	Economic year	Imports Exports		Production
			in 1,000 tons		
10.01	Wheat	1968/69	21	-	1,045
		1969/70	21	-	950
		1970/71	61	10	810
11.01	Wheat flour	1968/69	-	-	461
		1969/70	-	-	461
		1970/71	-	-	473
10.02	Rye	1968/69	19	-	413
		1969/70	-	-	439
		1970/71	-	-	363
11.02	Rye flour	1968/69	-	-	208
		1969/70	-	-	205
		1970/71	-	-	200
10.03	Barley ^{1/}	1968/69	125	-	770
		1969/70	33	-	934
		1970/71	129	-	913
10.04	Oats ^{2/}	1968/69	40	-	324
		1969/70	27	-	288
		1970/71	40	-	272
10.05	Maize ^{3/}	1968/69	86	-	399
		1969/70	42	-	698
		1970/71	73	-	612
10.07	Other cereals ^{4/}	1968/69	12	-	74
		1969/70	6	-	78
		1970/71	5	-	84

^{1/} Fodder barley and other barley

^{2/} Fodder oats and other oats

^{3/} Fodder maize, maize for grinding and other maize

^{4/} Millet, Buckwheat and other cereals