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GENERAL AGREEMENT ON TARIFFS AND TRADE

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AUSTRALIA

The following notification, dated 1 December 1992, has been received from the Permanent Mission of Australia.

Contents

92-1914

I. BED SHEETING

1. Nature and Extent of Bounty

(a) Background and Authority

The Bounty (Bed Sheeting) Act 1977 provides for the payment of a bounty on certain bed sheeting. It commenced operation on 1 January 1977, but was extended retrospectively to bountiable products produced after 1 September 1976. The Act terminates on 30 June 1995.

(b) Incidence

The Bounty is payable on certain polyester cotton bed sheeting woven, printed and made up into bed linen by the manufacturer. The maximum payment in any twelve-month period (defined as 1 November to 1 October) was $A 600,000 until 28 February 1989. The annual limit in cash outlays to manufacturers was increased to $A 3.2 million with effect from 1 March 1989. The bounty is not payable on exported bed sheeting.

(c) Amount of Bounty Paid

Year	Bounty Paid $A'000
1987/88	600.0
1988/89	1,312.9
1989/90	1,721.1
1990/91	2,855.0
1991/92	2,568.0

(d) Rate of Bounty

The bounty is currently payable to the manufacturer at the rate of 16 cents per square metre of printed sheeting used in the manufacture of bed linen, phasing down to 12 cents from 1 July 1993 and to 8 cents from 1 July 1994. The bounty ceases on 30 June 1995.

2. Effect of bounty

(a) Trade Effects

This bounty has improved the competitive position of the local manufacturer.

(b) Statistics

Trade statistics relating to bed sheeting are not separately recorded.

II. BOOKS

1. Nature and Extent of Bounty

(a) Background and Authority

The Bounty (Books) Act 1969 provided for payment of bounty on books and has been operative since 26 September 1969. The Act expired on 31 December 1986.

A new scheme was introduced on 1 January 1987 and will remain in force until 31 December 1993 authorized by the Bounty (Books) Act 1986.

(b) Incidence

Bounty is payable on approved books manufactured in Australia. To be eligible for bounty, books must in general be at least 49 pages and be produced in a minimum run of 1,000 copies.

(c) Amount of Bounty Paid

The figures on amount of bounty paid are amended as follows:

Year	$A'000
1987/88	20,773
1988/89	25,512
1989/90	24,043
1990/91	24,213
1991/92	21,536

(d) Rate of Bounty

The bounty is payable to manufacturers as a percentage of the total cost of producing the book. The rate has been reduced over the life of the Act as follows:

Books

1 January 1969 - 31 December 1982	:	33.3%
1 January 1983 - 31 December 1983	:	30%
1 January 1984 - 19 August 1986	:	25%
20 August 1986 - 31 December 1986	:	20%
1 January 1987 - 31 December 1988	:	20%
1 January 1989 - 31 December 1989	:	18%
1 January 1990 - 31 December 1990	:	16%
1 January 1991 - 31 December 1991	:	14%
On or after 1 January 1992	:	13.5%

Free of Charge Paper or Binding Materials

1 January 1984 - 19 August 1986	:	20%
20 August 1986 - 31 December 1986	:	16.7%
1 January 1987 - 31 December 1988	:	16.7%
1 January 1989 - 31 December 1989	:	15.3%
1 January 1990 - 31 December 1990	:	13.8%
1 January 1991 - 31 December 1991	:	12.3%
On or after 1 January 1992	:	11.9%

2. Effect of Bounty

(a) Trade Effects

The bounty has improved the competitive position of Australian book manufacturers against duty-free imports.

(b) Statistics

Year	Imports ($A'000)	Exports* ($A'000)
1987/88	365,234	36,248
1988/89	443,041	52,672
1989/90	495,308	54,511
1990/91	479,973	82,808
1991/92	503,794	90,746

* Australian Produce - these figures include all books, not only those subject to bounty.

Source: Australian Bureau of Statistics

III. CITRIC ACID

1. Nature and Extent of Bounty

(a) Background and Authority

The Bounty (Citric Acid) Act 1991 came into effect on 12 March 1991 and is due to terminate on 1 January 1996.

(b) Incidence

The bounty is payable on citric acid produced in Australia through the fermentation of carbohydrates in air lift fermenters.

(c) Amount of Bounty Paid

The bounty only became effective on 12 March 1991. The first payment of $A 707,000 was made in November 1991. The Act specifies that total payments over the life of the bounty will not be permitted to exceed $A 7.3 million.

(d) Rate of Bounty

Under the legislation, the rates of bounty which will be payable during the life of the bounty are:

Period	Rate ($A per tonne)
12 March 1991 - 30 June 1992	700
1 July 1992 - 30 June 1993	550
1 July 1993 - 30 June 1994	350
1 July 1994 - 30 June 1995	250
1 July 1995 - 31 December 1995	150

2. Effect of Bounty

(a) Trade Effects

The bounty is aimed at supporting the commercialization of leading edge Australian fermentation technology. Distortions arising from international agricultural and industry support measures are preventing the commercialization of this technology in Australia. Only relatively small quantities of citric acid will be produced under the bounty and in the short to medium term this will be mainly for the domestic market.

IV. COMPUTERS

1. Nature and Extent of Bounty

(a) Background

The Bounty (Computers) Act 1984 provides for the payment of bounty on the manufacture of certain computer hardware (on which no duty is applied under the Australian Customs Tariff). The introduction of the bounty coincided with the reduction in customs duties on the goods covered. The bounty is phasing down to maintain a similar effective rate of assistance for manufacturers of bountiable goods as that provided to manufactures of general goods through reducing tariff levels.

The Act commenced on 6 July 1984 and is due to terminate on 31 December 1995.

(b) Incidence

The bounty is payable on computer equipment and components produced in Australia which, *inter alia*, can include microprocessor based controllers and regulators, modems and multiplexors, integrated circuitry, hybrid circuits, PCBs, keyboards and computer casings.

(c) Amount of Bounty Paid

Year	$A'000
1987/88	25,739
1988/89	31,053
1989/90	44,982
1990/91	51,338
1991/92	74,489

(d) Rate of Bounty

Before 6 July 1990 the bounty was payable to the manufacturer at the rate of 20 per cent of the in-house value added (rate progressively reducing to 8 per cent by 1994) of the manufacturer and on certain sub-contracted activities such as research and development and operating software development. The bounty rate is dropping in line with general reductions in tariff protection as follows:

17 per cent in 1990/91
14 per cent in 1991/92
12 per cent in 1992/93
10 per cent in 1993/94
8 per cent in 1994/95 until 31 December 1995

2. Effect of Bounty

(a) Trade Effects

The bounty enables local manufacturers and assemblers of computers and specific related hardware to have access to Australian produced equipment and components at close to world prices and it encourages continued investment in these facilities in Australia.

V. DAIRY PRODUCTS

1. Nature and Extent of Assistance

(a) Background and Authority

For the period 1981-82 to 1984-85 the Government underwrote the gross equalized returns for butter, cheddar type cheeses, skim milk powder/buttermilk powder, casein and whole milk powder. These arrangements were part of the stabilization scheme operating during that period where returns to producers were influenced by a levy on domestic sales. Funds generated by these levies were disbursed over total sales (domestic and export) to provide manufacturers with an equalized return. When gross equalized returns fell below their underwritten values, the Government contributed the difference. The basis for underwriting was determined by an executive decision of the Government, authorizing a budget appropriation to meet costs.

For the 1985/86 season underwriting operated only on average export returns and the underwritten value was determined as 90 per cent of the average export price for the previous two years and an estimate for the current year.

Commencing with the 1986/87 season new marketing arrangements operated for the dairy industry.

The main provisions of the arrangements were:

- A levy on all milk produced, the proceeds of which are used to make market support payments on export of all dairy products.

- Government underwriting of the average export returns for butter, cheddar type cheeses, skim milk powder, milk powder, casein and whole milk powder at 85 per cent of their respective long-term trend prices. In 1990-91, underwriting was triggered when the average export price for skim milk powder and casein were less than the underwritten price. A payout of $A 22 million was made to the Australian Dairy Corporation, which used the monies to supplement funds derived from the levy on all milk produced.

The original marketing arrangements included Supplementary Market Support Payments. Their progressive reduction was the means of achieving input parity with New Zealand products. This fund was closed on 30 June 1990 and the payments terminated.

Commonwealth dairy market support arrangements were due to conclude on 30 June 1992. New arrangements were implemented which facilitate a continuation of the major existing Commonwealth assistance structures, but with phased reduction to the level of assistance.

The package extends market support payments on exports of dairy products until 30 June 2000. In 1991-92 support payments averaged 22 per cent of average export prices for dairy products. This 22 per cent rate will be the maximum level during 1992-93. Subsequently the maximum rate will be reduced to equal annual steps to 10 per cent in 1999-2000. The present maximum levy of 45 cents per kilogramme of milk fat is retained.

Commonwealth underwriting of dairy export prices has been discontinued. This is consistent with government policy which requires rural industries to take responsibility for their own risk management.

A review, in conjunction with the Australian Dairy Industry Council, of the industry's statutory marketing and the research activities has also commenced. The review will assess the options for redirecting efforts to further enhance the industry's export marketing and market development, particularly for higher value products.

For figures on the manufacture of dairy products in Australia, see Attachment A.

(b) Incidence

See Attachment B.

(c) Amount of Assistance Paid

Government contributions to the underwriting arrangements are minimal (they have been nil in all years other than in 1983/84 and 1984/85 when the budgetary cost of underwriting was $A 13.55 million and $A 0.665 million respectively). The trade effects have been correspondingly negligible.

2. Effect of Assistance

(a) Trade Effects

The basic objective for underwriting is to protect producers against unexpected and sharp falls in market returns without masking underlying long-term market trends.

(b) Statistics

See Attachments A and B.

VI. DRIED VINE FRUITS

1. Nature and Extent of Assistance

(a) Background and Authority

The Australian Government introduced, through the Dried Sultana Production Underwriting Act 1982, an underwriting arrangement for sultanas for the 1982 to 1986 seasons to replace stabilization arrangements which operated for the 1978 to 1980 seasons. In 1985 the Government introduced changes to the Dried Sultana Production Underwriting Act. The arrangements applied to the 1986 to 1990 seasons inclusive. In November 1990 the Government announced the arrangements would continue through to the end of the 1993 season.

(b) Incidence

The underwriting arrangement applicable to the 1982 to 1984 seasons inclusive was based on the Government guaranteeing minimum returns per tonne from production in those seasons equal to 90 per cent of the average of net returns at packing houses in the preceding two seasons and the estimated net return for the current season.

For the 1985 season the guaranteed minimum return was 95 per cent of the three-year average net return. If the net return for a season was less than the guaranteed level, an underwriting payment equal to the difference was made on the total production in that season.

Under the present underwriting arrangement, the Government guarantees minimum returns per tonne from exports in each season equal to 80 per cent of average exports returns at the free-on-board level in the preceding three seasons. If the net return for a season is less than the guaranteed level, an underwriting payment equal to the difference will be made on the total production in that season.

(c) Amount of Assistance

Underwriting payments totalled $A 1.321 million for the 1982 season. There have been no further payments.

(d) Estimated Amount per Unit

Underwriting payments amounted to $A 16.38/tonne for 1982 season sultanas.

2. Effect of Assistance

(a) Trade Effects

The aim of the sultana underwriting scheme is to give sultana producers a measure of security against sudden large falls in world prices without insulating the industry from underlying price trends. The scheme will provide financial assistance only after a very significant sudden export price decline. There is no specific trend to the amount of underwriting payments; however, as the arrangement provides for underwritten levels to reflect world prices the scheme is therefore inherently self-limiting. In addition, the present arrangements provide for the guaranteed minimum return to be set at only 80 per cent of the average export return over the preceding three seasons. For these reasons it is expected that the underwriting arrangement will encourage adjustment to long-term market trends.

(b) Statistics

Sultanas
(Tonnes)

Season (a)	Production	Consumption (b)	Exports
1988	71,794	22,238	49,806
1989	57,303	22,201	37,397
1990	54,834	23,647	32,668
1991	80,645	22,276	44,771
1992 (p)	92,060	24,000	50,000

(a) Season commencing 1 March
(b) Consumption figures do not include imports
(p) Preliminary

Source: Australian Dried Fruits Board

Imports of Sultanas, Currants and Raisins	(Tonnes)
1987/88	4,747.0
1988/89	6,045.9
1989/90	5,474.6
1990/91	5,683.0
1991/92	9,681.0

Source: Australian Bureau of Statistics

The general tariff rate on imported dried vine fruit is currently 15 per cent *ad valorem* (with a 5 per cent preferential margin for developing countries). The general rate will be gradually phased down to 5 per cent by 1 July 1996.

VII. MACHINE TOOLS AND ROBOTS

Previously known at the Metal-Working Machines and Robots Bounty.

1. Nature and Extent of Bounty

(a) Background and Authority

The Bounty (Metal Working Machines and Robots) Act. It replaced the Bounty (Metal-Working Machine Tools) Act 1978. The Act was amended in 1991 to become the Bounty (Machine Tools and Robots) Act 1985.

(b) Incidence

The Act provides for payment of bounties on locally manufactured items including metal-working machines, robots, certain other advanced metal-working machinery, parts and accessories. Machine modification activities may also qualify for bounty assistance.

The bounty is paid at two rates; a higher rate for advanced machinery and a lower one for standard machinery.

The Act covers a much wider range of activities than those covered under the previous Act and has also been extended to included some exported items.

Under the existing arrangements, higher bounties are payable on advanced technology items.

(c) Amount of Bounty Paid

Year	$A'000
1987/88	10,792
1988/89	15,519
1989/90	12,211
1990/91	15,207
1991/92	15,961

(d) Rate of Bounty

Bounty is paid as a percentage of the value-added component undertaken by a company. The two separate rates for advanced and standard machines are being phased down to a single rate of 5 per cent for all machines. The rates of bounty payments are as follows:

1 July 1991 to 30 June 1992	24.0%	20.0% of value added
1 July 1992 to 30 June 1993	20.0%	17.0%
1 July 1993 to 30 June 1994	16.0%	14.0%
1 July 1994 to 30 June 1995	12.0%	11.0%
1 July 1995 to 30 June 1996	8.0%	8.0%
1 July 1996 to 30 June 1997	5.0%	5.0%

2. Effect of Bounty

(a) Trade Effects

The bounty is designed to encourage local production of metal-working machine tools by improving competitiveness against imports, without increasing the cost structure of user industries.

(b) Statistics

Few relevant statistics are separately recorded but infrequent surveys indicate that Australian manufacturers have 20 per cent of the domestic market for machine tools (which in total is around $A 800 million annually with sharp fluctuations).

VIII. PRINTED FABRICS

1. Nature and Extent of Bounty

(a) Background and Authority

The Bounty (Printed Fabrics) Act 1981 came into effect on 1 January 1992. The bounty will be reduced to zero by 1 July 1995.

(b) Incidence

The bounty is payable upon mechanical printing of certain light-weight textile fabrics that are suitable for making up into garments in Australia and are woven from wool, cotton, silk or synthetic fibre yarns.

(c) Amount of Bounty Paid

Year	$A'000
1987/88	1,095
1988/89	936
1989/90	1,801
1990/91	1,686
1991/92	2,803

(d) Rate of Bounty

From 1 January 1982 to 19 August 1986 payment to the printer was made at the rate of 70 per cent of the value added to the fabric by the printer. From 20 August 1986 to 28 February 1989 the rate of bounty was 56 per cent. From 1 March 1989 the rate of bounty was 53 per cent and is to phase down to 15 per cent by 30 June 1994 and cease from 1 July 1995.

2. Effect of Bounty

(a) Trade Effects

The bounty is intended to accord reasonable protection to local fabric printers without increasing costs to garment manufacturers.

(b) Statistics

The definition of bountiable items precludes the collection of comparable statistics for production and trade.

IX. SENSITIZED PHOTOGRAPHIC FILM

1. Nature and Extent of Bounty

(a) Background and Authority

The Bounty (Photographic Film) Act 1989 came into effect on 1 January 1990 and is due to terminate on 31 December 1994.

(b) Incidence

Bounty is paid on colour filter halide photographic film sensitized and finalized in Australia.

(c) Amount of Bounty Paid

A maximum amount of $A 12 million per year is payable for three years from 1 January 1990 to 31 December 1992. Payments are being made as follows:

1989/90	A$ 6 Million
1990/91	A$ 12 Million
1991/92	A$ 12 Million
1992/93	A$ 6 Million

(d) Rate of Bounty

Bounty is paid at the rate of A$ 3.75 per square metre of locally sensitized film.

2. Effect of Bounty

(a) Trade Effects

The bounty is designed to assist the industry restructure its operations. The bounty payments are conditional on the manufacturer meeting certain research and development, productivity and investment commitments over the life of the bounty. The goal of the measure is to enhance manufacturing capability in Australia and to develop a world competitive photographic industry.

(b) Statistics

Relevant statistics are not separately recorded.

X. SHIPBUILDING

1. Nature and Extent of Bounty

(a) Background and Authority

The Bounty (Ships) Act 1989 came into effect on 1 July 1989 providing for a phase out of bounties to shipbuilders. It replaced the Bounty (Ships) Act 1980.

(b) Incidence

Bounties are payable in the respect of shipbuilding and modifications and will cease by 1 July 1995.

(c) Amount of Bounty Paid

Year	Bounty paid under Bounty (Ships) Act $A Million
1987/88	37.23
1988/89	44.97
1989/90	45.06
1990/91	37.37
1991/92	24.36

(d) Rate of Bounty

For the two years from 1 July 1989, bounty was payable at 15 per cent of construction costs. This is to be followed by two years of bounty at a rate of 10 per cent and a further two years at 5 per cent.

2. Effect of Bounty

(a) Trade Effects

The bounty enables Australian shipbuilders to be more competitive and to reduce the price to shipowners of vessels built in Australia.

(b) Statistics

Relevant statistics are not separately recorded.

XI. TEXTILE YARNS

1. Nature and Extent of Bounty

(a) Background and Authority

The Bounty and Capitalization Grants (Textile Yarns) Act 1981 came into effect on 1 January 1982 and is due to terminate on 30 June 1995. This Act superseded the Bounty (Polyester-Cotton Yarn) Act 1978 which was terminated on 31 December 1981. The Act was amended in June 1990 to introduce a Capitalization Grants Scheme.

(b) Incidence

The bounty is payable upon production of certain yarns, spun from certain textile fibres, and used to produce, in Australia, yarns, other textiles, or products made wholly or partially therefrom. Alternatively, an application can be made to the Textile, Clothing and Footwear Development

Authority for a Capitalization Grant. This involves eligible yarn bounty recipients capitalizing projected bounty receipts to June 1995 provided that savings to Australian Government outlays are achieved. The acceptance of such grants automatically disentitles applicants from textile yarn bounty payments for the life of the current Act.

(c) Amount of Bounty Paid

Year	$A'000
1987/88	88,507
1988/89	87,293
1989/90	149,933
1990/91	105,279
1991/92	90,182

(d) Rate of Bounty

The rates of bounty since 1982 have been complex, and phasing down. Since 1 July 1992 the rates for all yarns are the same:

01.07.1992-30.06.1993	30%
01.07.1993-30.06.1994	22%
01.07.1994-30.06.1995	15%
01.07.1995-Onwards	0%

2. Effect of Bounty

(a) Trade Effects

The bounty is intended to accord reasonable protection to yarn spinners without increasing costs to weavers and knitters.

(b) Statistics

The definition of bountiable items precludes collection of comparable statistics for production and trade.

XII. WHEAT

1. Nature and Extent of Assistance

(a) Background and Authority

Since 1 July 1989 new wheat marketing arrangements have been in place for the marketing of the Australian wheat crop.

Under the arrangements wheat growers have the option of selling direct to users, to traders or to the Australian Wheat Board (AWB) for use domestically. The AWB retains its monopoly over export of wheat. Wheat delivered to the AWB may be bought by the AWB under contracts negotiated between the AWB and the grower or may be delivered to pools set up by the AWB for various grades of wheat.

Growers who deliver wheat to a pool receive one or more advance payments, determined by the AWB, against the estimated net return from that pool. The aggregate estimated net pool return in a season is determined by the Minister for Primary Industries and Energy before 1 October each year. At least one further determination is made as close as practicable to 1 March of the following year. Subsequent determinations cannot be lower than previous determinations.

Borrowing by the AWB to fund advance payments to growers are underwritten by the Commonwealth Government. The level of underwriting commenced at 90 per cent of the estimated net pool return in 1989/90, and was phased down to 85 per cent by 1991/92. The underwriting guarantee has now been fixed at 85 per cent until the 1998/99 season after which it will cease.

Pools may be closed at any time when the AWB considers that the returns will not be significantly changed by continuing the pool. For most pools this is expected to be some three years after the season in which the wheat is delivered. At that time the AWB will determine the actual net return per tonne for the pool (less all AWB operating costs) and make a final payment to growers if that return exceeds the total of advance payments already made.

(b) Incidence

All wheat produced in Australia, meeting minimum quality standards is eligible to be delivered to AWB pools and be paid for through the underwritten borrowings arrangement.

(c) Amount of Assistance Paid

Under the current legislation, no payments have been made by the Government in respect to underwriting arrangements.

Under previous underwriting arrangements which were based on 95 per cent of a three year moving average of returns, a payment was required in respect of only one season's crop: the 1986/87 season's crop. For that year the pool deficit has been estimated to be $A 15.75 per tonne due to the exceptional fall in world prices in 1986. When finally closed the Government is expected to have paid about $A 200 million on this pool.

2. Effect of Assistance

(a) Trade Effects

The underwriting arrangements provide a relatively high first advance to growers delivering wheat to pools. An underwriting payment by the Government under the system would only occur following a significant unexpected decline in wheat prices after the Minister's 1 October price determination.

As the price to be underwritten is based on actual expected returns for a season, market signals will be transmitted to growers. Accordingly, the trade effects will be minimal. For example, even when the domestic wheat price falls of 1991 occurred, there was no payout by the Government under the guarantee arrangements.

(b) Statistics

Million tonnes

Year	Production	Consumption	Imports	Exports
1986/87	16.8	3.0	0	15.7
1987/88	12.4	3.3	0	9.9
1988/89	14.1	2.8	0	11.4
1989/90	14.1	3.0	0	10.8
1990/91	15.7	2.8	0	11.3
1991/92	10.7	2.5	0	8.2
1992/93	12.8	2.9	0	9.9

(ABARE Forecast)

Attachment A

PRODUCTION OF DAIRY PRODUCTS: 1984-1985 TO 1991-1992

(tonnes)

	Butter (kt)	Cheese (kt)	Cream (kt)	Condensed Milk (kt)	Casein (kt)	Skim Milk Powder (a) (kt)	Whole Milk Powder (kt)	Buttermilk Powder (kt)	Milk based food prepar-ations (kt)
1984-85	114	160	na	66	8	141	45		35 (b)
1985-86	105	170	na	61	9	125	52		37 (b)
1986-87	104	177	na	60	8	128	65		38 (b)
1987-88	94	176	na	63	9	120	64	8	28
1988-89	96	190	na	95	7	119	68	8	29
1989-90	104	175	131	87	5	135	56	9	34
1990-91	106	176	165	95	2	146	60	9	30
1991-92	108	190	160	85	3	150	70	9	30

(a) includes skim and buttermilk powder mixes
(b) includes buttermilk powder

Attachment B

(b) Incidence

The underwritten values which have applied are as follows:

Production Period	Butter	Cheese (a)	Skim Milk Powder	Casein	Whole Milk Powder
			($A per tonne)		
1986-87	1,096	1,308	828	2,138	1,175
1987-88	1,027	1,385	972	2,383	1,211
1988-89	1,060	1,497	1,267	3,174	1,363
1989-90	1,274	1,561	1,848	4,492	1,554
1990-91	1,659	2,127	1,936	5,340	1,922

(a) Types of cheese covered are Cheddar, Stirred Curd, Granular, Colby, Cheedam, Monterex and processed cheese (natural cheese equivalent).

For the 1985-1986 to 1989-1990 seasons, underwritten values were not triggered.