

GENERAL AGREEMENT ON TARIFFS AND TRADE

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SUBSIDIES

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A U S T R A L I A

I. WHEAT

1. Nature and extent of the subsidy

(a) Background and authority

Commonwealth and State legislation (1958) authorized a continuance of the Wheat Stabilization Scheme. The legislation provides for guaranteed prices for export wheat for the five seasons 1958/59 to 1962/63 inclusive. This continues the plan started in 1948.

(b) Incidence

The guarantee under the existing scheme covers exports of up to 100 million bushels from each of the five seasons. Operation of the stabilization arrangement involves the building-up of a fund from a levy on exports when the average price exceeds the determined cost of production and payments from the fund to producers if the average price falls below the determined cost of production. If the fund is insufficient to meet the payments to producers the deficiency is met by the Commonwealth.

(c) Amount of subsidy paid

Total stabilization payments made each season since 1954 have been as follows:

£ 188,525	in respect of wheat of 1954-55 season
£1,009,583	" " " " " 1955-56 "
£ 396,519	" " " " " 1957-58 "
£6,532,179	" " " " " 1958-59 "
£8,023,725	" " " " " 1959-60 "
£8,884,166	" " " " " 1960-61 "

The payment in respect of 1959-60 season's wheat exhausted the fund and required a Commonwealth Government contribution of £3,021,966. The Commonwealth Government met, in full, the subsidy payment made against 1960-61 season's wheat.

(d) Estimated amount per unit

- (i) 0.476d. per bushel on 95,028,456 bushels exported from 1954-55 season's crop;

- (ii) 2.486d. per bushel on 100,000,000 bushels exported from 1955-56 season's wheat;
- (iii) 3.599d. per bushel on 26,440,000 bushels exported from 1957-58 season's crop;
- (iv) 1/3.677d. per bushel on 100,000,000 bushels exported from 1958-59 season's crop;
- (v) 1/7.257d. per bushel on 100,000,000 bushels exported from 1959-60 season's crop;
- (vi) 1/9.322d. per bushel on 100,000,000 bushels exported from 1960-61 season's crop.

2. Effect of subsidy

(a) The scheme of stabilization 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) Statistics

Wheat: Production, Consumption, Imports and Exports

	Average three seasons ended 1939	Season 1957-58	Season 1958-59	Season 1959-60	Season 1960-61	Season 1961-62
	m. bush.	m. bush.	m. bush.	m. bush.	m. bush.	m. bush.
Production	164.7	97.6	215.1	198.5	273.7	247.2
Local consumption	54.8	73.3	69.4	77.1	78.5	75.3
Imports	-	1.5	-	-	-	-
Exports	105.6	51.7	98.9	125.4	231.4	177.9

Note: As stabilization plans commenced in 1948-49, the immediate pre-war average is given to provide some sort of comparison. However, comparisons are not necessarily meaningful, since changes do not necessarily reflect the effects of the stabilization scheme.

II. SUGAR

1. Nature and extent of the subsidy

(a) Background and authority

A system of rebating part of the price of sugar used in manufacturing certain exported products whereby a rebate, the cost of which is borne by the Australian sugar industry is paid to users of that sugar, has been established

for more than thirty years. The system has been authorized in complementary legislation enacted by the Commonwealth and Queensland Parliaments.

(b) Incidence

When the world parity price for sugar is less than the price of 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 1962 the sum of £400,349 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 £381,707 in the year ended 31 August 1962.

(d) Rate of subsidy

Export rebate is paid on approximately 25,000 tons of sugar. The average rate of export rebate during the period mentioned was approximately £31 per ton.

2. Effect of subsidy

(a) Quantitative effect

The rebate is not designed to have, nor does it have, the effect of increasing exports of products containing sugar. 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.

(b) Statistics

(i) Three years statistics

Raw Sugar - Production, Consumption, Imports and Exports

(long tons, 94 net titre)

Year	Production ⁺	Consumption ⁺	Imports (a)*	Exports (a)*
1959-60	1,287,065	573,801	1	681,481
1960-61	1,382,114	559,572	-	779,812
1961-62	1,382,356	585,264	4	827,853 (b)

+Season.

*July-June year.

(a) Long tons tel quel.

(b) Preliminary.

The export statistics do not include the sugar content of manufactured products i.e. the sugar on which export rebate is paid. This sugar, approximating 25,000 tons (refined), is included in the statistics of consumption.

(ii) 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 of export rebate 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, provides for the payment to producers of bounties on the production of butter and cheese by factories for a period of five years from 1 July 1962.

The definition of butter has been broadened to include butterfat products containing not less than 40 per cent of butterfat, and manufactured direct from milk or cream.

The processed Milk Products Bounty Act, 1962, provides for payment of a bounty on the butterfat content of processed milk products exported between 1 July 1962 and 30 June 1963.

(b) Incidence

Bounties on butter and cheese are paid to the Commonwealth Dairy Produce Equalisation Committee, a voluntary industry organization, for distribution to butter and cheese factories which are in turn required to pass the moneys onto farmers. The bounty on processed milk products is paid to enable exporters of those products to have access to milk on the same terms as butter and cheese factories.

(c) Amount of subsidy paid

A fixed amount of £13.5 million per annum is paid for bounties on butter and cheese.

The bounty on processed milk products is paid at the same rate, on a butterfat basis, as for butter and cheese, provided that the total amount does not exceed £350,000.

(d) Estimated amount per unit

The estimated amount of subsidies per unit is slightly in excess of 6d. per lb. of butter, and of 3d. per lb. of cheese. On a butterfat basis, the amount per unit of processed milk products will not exceed the bounty rate for butter.

2. Effect of subsidy

(a) 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 previously unsubsidized processors.

Minimum price guarantee

Since 1958/59 the Commonwealth Government has underwritten a minimum return to factories to permit an average payment to producers of 40d. per lb., commercial butter basis, for each season's production of butter and cheese. This has not required any payment of subsidy additional to the £13.5 million mentioned above.

Each year producers receive interim payments from factories in anticipation of realizations from the sale of butter and cheese. The purpose of the minimum price arrangement is to enable factories to advance a greater part (up to 40d. per lb., commercial butter basis), of the anticipated return to producers, before full realizations from butter and cheese sales come to hand.

(b) Statistics

(i) Production, Consumption, Exports and Imports : Australia Factory Butter

(tons of 2,240 lbs.)

Year ended June	1958	1960	1961	1962
Production	172,648	194,735	179,220	197,294
Consumption	117,908	119,194	110,816	112,369
Exports	52,890	77,825	59,274	78,766
Imports	Nil	Nil	Nil	Nil

Factory Cheddar Cheese

(tons of 2,240 lbs.)

Year ended June	1958	1960	1961	1962
Production	34,566	43,224	45,263	53,677
Consumption	27,567	28,842	24,358	27,121
Exports*	9,629	18,819	17,574	22,937
Imports*	683	1,063	1,543	1,879

*Includes varieties other than cheddar cheese.

Processed Milk Products

(tons of 2,240 lbs.)

Condensed Milk

Year ended June	1958		1960		1961		1962	
	S. ¹	U.S. ²	S.	U.S.	S.	U.S.	S.	U.S.
Production	37,358	28,317	33,663	34,585	29,534	32,067	27,435	33,333
Consumption	13,120	28,147	12,137	30,143	11,301	29,698	NA	
Exports	23,405	852	22,563	2,684	17,048	2,516	16,083	1,932
Imports	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

¹Sweetened²UnsweetenedPowdered Milk (Full Cream)

	1958	1960	1961	1962
Production	18,073	19,591	18,555	19,552
Consumption	12,644	12,182	11,741	NA
Exports	6,205	8,118	7,005	5,856
Imports	Nil	Nil	Nil	Nil

Infants' and Invalids' Foods

	1958	1960	1961	1962
Production	13,977	15,985	16,257	16,933
Consumption	10,069	12,990	11,750	NA
Exports	6,049	5,875	6,832	6,527
Imports	156	92	851	122

(ii) The amount of the subsidy for butter and cheese in each of the above years was £13.5 million. No subsidy was payable in any of those years on processed milk products, as this subsidy was only payable from 1 July 1962.

IV. COTTON1. Nature and extent of subsidy(a) Background and authority

A bounty is paid under the Cotton Bounty Act 1951/58 on the production of cotton in Australia in order to foster the development of the local cotton growing industry. The bounty is payable on seed cotton delivered by growers to processors before 31 December 1963.

(b) Incidence

Bounty is payable to the processor of the raw cotton who is required to distribute it under specified conditions to the growers of cotton of grades higher than "strict good ordinary". The rate of bounty payable is the amount by which the average price to growers is less than fourteen pence per pound.

(c) Amount of subsidy paid

The cost of the bounty for the 1961 season was £291,617.

(d) Estimated amount per unit

During the 1961 season, the average rate of bounty paid was 6.62 pence per pound of seed cotton.

2. Effect of subsidy

The effect of the cotton bounty will be to increase local production with a resultant decrease in imports. However, the process will be a gradual one. As the bounty is payable on seed cotton, which has been both produced and processed in Australia into raw cotton for sale for use in Australia, it has no effect on exports.

In 1961 bounty was paid on 10.61 million pounds of seed cotton from which approximately 3.83 million pounds of raw cotton were produced.

The proportion of locally produced to imported raw cotton is small (at present around 9 per cent) and the assistance given to the local industry by the cotton bounty has not substantially affected imports to date.

Raw Cotton Statistics

('000 lb.)

<u>Year</u>	<u>Consumption</u>	<u>Imports</u>	<u>Exports</u>
1959/60	45,071	41,518	-
1960/61	44,160	41,842	-
1961/62	43,312	37,735	-

Production

<u>Season</u>	<u>'000 lb.</u>
1959	3,592
1960	5,540
1961	3,830

The rate of bounty referred to in paragraph 1(b) has applied since 1953. Statistics for 1952/53 are as follows:

('000 lb.)			
Production*	Consumption	Imports	Exports
755	31,128	24,796	Nil.

*1952 Season

V. SHIPBUILDING

1. Nature and extent of the subsidy

(a) Background and authority

Under a scheme for maintaining an effective shipbuilding industry in Australia, the Commonwealth Government subsidizes the industry by meeting a portion of the cost of approved merchant ships built in Australia for use in the Australian trade. Legislation providing for the payment of a subsidy was enacted in 1939, but there were no claims for subsidy under such legislation. The question of assistance to the industry was subsequently reviewed and subsidy payments introduced in 1946. The upward limit of subsidy was increased from 25 per cent to 33 1/3 per cent in 1956.

(b) Incidence

The subsidy is paid to the shipbuilder as part of the construction cost.

(c) Amount of subsidy paid

The amount of subsidy paid in 1960-61 was £3,000,000 and in 1961-62 was £1,686,102. These amounts include subsidies paid on account of all vessels being constructed under the scheme, not only on those completed in the financial years specified.

(d) Estimated amount per unit

This amount varies according to the type and cost of each ship, but is limited to an amount not exceeding 33 1/3 per cent of the total cost of the ship.

2. Effect of subsidy

(a) The subsidy is the basic method of protection in respect of the construction in Australia of ships exceeding 500 tons gross, as no duty is charged on the import of such vessels from British sources. The method of subsidy has been chosen in preference to duty in order to maintain an

economically acceptable level of shipping costs in the Australian coastal trade. The quantitative effect on imports appears, prima facie, to be equivalent to the number of ships constructed with the aid of the subsidy. However, the real effect may be less than this because most of the ships are constructed for the Commonwealth-owned shipping line and for a shipowner who is also a shipbuilder and it is not possible to say whether these ships would have been imported in the absence of subsidy.

(b) The following are production and import figures of vessels exceeding 500 tons gross. There are no exports except of surplus or obsolete vessels.

	<u>Vessels Built and Completed in Australia</u>	<u>Vessels Imported</u>
1938-39	Nil	15
1957-58	6	6
1958-59	4	11
1959-60	4	4
1960-61	3	2
1961-62	3	Nil

VI. ACETATE RAYON YARN

1. Nature and extent of subsidy

(a) Background and authority

The Rayon Yarn Bounty Act 1954-1962 provides for the payment of a bounty on continuous filament acetate rayon yarn produced and sold for delivery in Australia up to 30 June 1965. In addition, a tariff of 10 per cent (BPT) and 22½ per cent (MFN) is imposed. The assistance follows consideration by the Government of recommendations made by the Tariff Board after full public inquiry and report.

(b) Incidence

Bounty is payable to the producer of continuous filament acetate rayon yarn. A limit of £130,000 is imposed on the total amount of bounty paid annually.

(c) Amount of subsidy paid

Subsidy of £69,155 was paid during the year ended 30 June 1962. During 1960-61 a total of £72,141 was paid.

(d) Amount per unit

Nine pence per lb. as from 3 May 1962 (previously 6d. per lb.), subject to reduction if profits exceed 10 per cent per annum.

2. Effect of subsidy

(a) Quantitative effect

With unit bounty of 9d. per lb. and limitation of annual bounty payments to £130,000, the amount of yarn eligible for bounty in any one year is approximately 4.5 million lbs. This figure would be higher if profit limitation operated to reduce the unit rate of bounty below 9d. per lb.

(b) Statistics

In the year ended 30 June 1962 bounty was paid on 2,766,187 lbs. Sales of Australian made yarn and imports over the past three years have been:

<u>Year ending 30 June</u>	<u>Sales</u> ('000 lbs.)	<u>Imports</u> ('000 lbs.)
1960	2,849	406
1961	2,710	615
1962	Not available	462

VII. CELLULOSE ACETATE FLAKE (RAYON GRADE)

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 following a public enquiry by the Board. The question of continued assistance has been referred to the Board at regular intervals since 1956. The effective date of the bounty has been extended to 30 June 1964.

(ii) Bounty is paid under the Cellulose Acetate Flake Bounty Act 1956-1961.

(b) Incidence of subsidy

Bounty is paid to the producer of cellulose acetate flake sold for use in the manufacture in Australia of rayon yarn. The maximum amount of bounty is limited to £90,000 per annum (previously £142,000).

(c) Amount of subsidy paid

1960/61 - £127,428; 1961/62 - £69,178.

(d) Amount per unit

Seven pence per lb. (previously ten pence per lb.)

2. Effect of subsidy(a) Quantitative effect

With unit bounty of 7d. per lb. and limitation of annual bounty payments to £90,000, the amount of flake eligible for bounty per annum is slightly over 3 million lbs. per annum (previously 3.4 million). In practice, quantities of flake on which bounty has been paid each year have been less than 3 million lbs.

(b) StatisticsCellulose Acetate Flake (Rayon Grade)

('000 lbs.)

<u>Year ending 30 June</u>	<u>Production</u>	<u>Sales</u>	<u>Exports</u>	<u>*Imports</u>
1956	2,424	2,388	Nil	-
1960	2,877	2,881	Nil	-
1961	**	2,721	Nil	-
1962	**	2,817	Nil	-

*Not available

**Not separately recorded but apparently negligible. Import statistics supplied in the previous report were of all cellulose acetate flake and not rayon grade as reported.

VIII. TRACTORS1. Nature and extent of subsidy(a) Background and authority

Bounty is payable, under the Tractor Bounty Act 1939-1959, on wheeled tractors of from 20 to 30 belt pulley horse-power. The Bounty follows consideration by the Government of a recommendation by the Tariff Board, made after full public inquiry and report.

The bounty is paid in respect of tractors produced in Australia in accordance with prescribed conditions, for sale for use in Australia or in an Australian territory. The Act expires on 30 June 1966.

(b) Incidence

Bounty is payable to the producers of the tractors. The rate of bounty depends upon the horse-power of the machine and the Australian content. It is subject to reduction should profits from the manufacture and sale of tractors exceed 10 per cent per annum of the capital used in such manufacture and sale.

(c) Amount of subsidy paid

£876,518 was paid in tractor bounty during the year ended 30 June 1962.
(In 1960-61, £940,663 was paid.)

(d) Amount per unit

Rate of bounty per tractor rises from £A269 to £A389, according to belt pulley horse-power. It is reduced if the proportion of factory cost of the tractor represented by materials and parts of Australian origin is less than 90 per cent; no bounty is payable if the proportion falls below 55 per cent.

2. Effect of subsidy(a) Quantitative effects

The effect of the bounty is to assist production of tractors in Australia to such an extent that about 25 per cent of the demand for tractors of the types eligible for bounty is obtained from local sources.

(b) Statistics

Year ended 30 June	Imports*		Australian Production**	
	No.	Value	No.	Value
1960	16,747	£11.0M	2,560	£4.1M
1961	15,579	£11.5M	3,696	£5.5M
1962	9,928	£7.2M	3,268	£4.9M

* 20-100 b.p.h.p.

** 20-80 b.p.h.p.

IX. FLAX FIBRE

The operation of the Flax Fibre Bounty Act 1954-1957 ceased on 31 October 1960. Under an administrative arrangement, however, bounty is continuing to be paid on sales of flax fibre obtained from crops harvested on or before 30 June 1960.

X. COPPER1. Nature and extent of subsidy(a) Background and authority

Under the Copper Bounty Act 1958-1960, assistance is given to the copper mining industry by means of a bounty operating from 19 May 1958 to 31 December 1963. In addition, assistance is given by means of a tariff on imports of £1 for each

£1 by which the determined price of copper overseas at the date of exportation is less than £A290 per ton. The scheme follows consideration by the Government of a recommendation by the Tariff Board after public enquiry. The question of assistance to the industry after 31 December 1963 has been referred to the Board for public inquiry and report.

(b) Incidence of subsidy

Bounty is payable in respect of refined copper produced under specified conditions from copper ore or copper concentrates and sold for use in Australia. The bounty is payable to the producer of the ore or concentrate from which the refined copper was obtained. Bounty payments are subject to an annual profit limitation of 10 per cent of capital used in the production and sale of copper, except in the case of producers whose annual out-turn is less than 50 tons of refined copper.

(c) Amount of subsidy paid

Subsidy of £686,451 was paid during the year ended 30 June 1962. (See also below.)

(d) Amount per unit

Maximum rate of £35 per ton, reduced by £1 for each £1 by which the overseas price of copper at the date of sale exceeds £A290 per ton.

2. Effect of subsidy

(a) The bounty is not payable on exported copper. Its effect is to enable major mines supporting substantial isolated communities to continue operations. Because of the profit limitation provisions, not all major mines producing for the domestic market qualify for bounty.

(b) Statistics

	<u>1958</u> ¹	<u>1959</u> ¹	<u>1960</u> ¹	<u>1961</u> ¹	<u>1962</u> ¹
<u>Production</u> (copper content of minerals produced) (long tons)	75,715	94,950	109,435	95,690	
<u>Refined copper on which bounty paid</u> (long tons)	27,403 ³	14,178	17,728	20,410	
<u>Subsidy paid</u>	£897,760 ³	£768,329	£407,526	£404,853	£686,451

¹Year ended 31 December

²Year ended 30 June

³13½ months from 19 May 1958 to 30 June 1959

<u>Imports</u>	<u>1959</u> ¹	<u>1960</u> ¹	<u>1961</u> ¹	<u>1962</u> ¹
Pigs, ingots, blocks, etc. (long tons)	2,342	1,965	6,646	5,383
<u>Exports</u>	<u>1958</u> ¹	<u>1960</u> ¹	<u>1961</u> ¹	<u>1962</u> ¹
(a) Pigs, ingots, blocks, etc. (long tons)	21,094	12,972	24,071	12,744
(b) Copper bearing ores and concentrates (actual weight of ore, etc.) (long tons)	97,262	34,792	138,986	106,050

¹Year ended 30 June

XI. COPPER AND BRASS STRIP

1. Nature and extent of subsidy

(a) Background and authority

The bounty on copper and brass strip stems from consideration by the Government of a recommendation by the Tariff Board, made after full public inquiry into the economies and efficiency of production in Australia. Assistance is given partly by tariffs and partly by bounty. (Production of thin-gauge strip in Australia is still partly in the developmental stage.)

The bounty will operate, in the first instance, for two years only, from 1 October 1962. Before then the question of continued assistance will be referred back to the Board for public inquiry and report.

Bounty is paid under the Copper and Brass Strip Bounty Act 1962.

(b) Incidence

Bounty is paid to producers of copper and brass strip not exceeding fifteen inches in width or twelve thousandths of an inch in thickness, produced in Australia under specified conditions and sold for use in Australia, during a period of two years commencing 1 October 1962.

Annual payments are limited to a total of £190,000.

(c) Amount of subsidy paid

Details are not yet available. Figures for a comparative year are not yet available as assistance has operated only from 1 October 1962.

(d) Amount per unit

£45 per long ton of strip, subject to reduction should annual profits from the production and sale of strip exceed 10 per cent of capital used in the production and sale.

2. Effect of subsidy(a) Quantitative effect

With unit bounty of £45 per ton and annual payments limited to £190,000, the weight of strip eligible for bounty each year is 4,222 long tons, about two thirds of annual demand (see below). This figure could be increased, if the profit limitation clause operates to reduce the average rate of bounty per unit.

(b) Statistics

The bounty has not yet been in operation long enough to have had any noticeable effect. Imports of copper and brass sheet and strip for the three years preceding the Tariff Board's inquiry were:

<u>Year</u>	<u>Long tons</u>
1958/59	1,261
1959/60	2,053
1960/61	2,149

Copper and brass strip (up to one-eighth inch in thickness, appeared to account for almost all imports).

Annual demand in Australia is estimated at 2,200 long tons (copper strip) and 4,500 long tons (brass strip).

XII. SULPHATE OF AMMONIA1. 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. The bounty is paid to assist local producers to meet competition from imports and follows consideration by the Government of a recommendation made by the Tariff Board after public enquiry. The bounty will be reviewed after three years.

(b) Incidence of subsidy

Bounty is payable to producers of sulphate of ammonia produced and sold for use in Australia as fertilizer. There is a limitation of £225,000 as being the maximum amount of bounty payable on annual sales.

(c) Amount of subsidy paid

Figures are not yet available. The legislation has operated only as from 21 May 1962.

(c) Amount per unit

£2 per long ton of sulphate of ammonia subject to reduction should annual profits from the production and sale of sulphate of ammonia exceed 10 per cent of capital used in such production and sale.

2. Effect of subsidy(a) Quantitative trade effects

The subsidy has not been in operation long enough to enable an assessment to be made of its quantitative effects on trade, but it could cause some increase in domestic production.

(b) Statistics

Production and Imports of Sulphate
of Ammonia

<u>Year ended 30 June</u>	<u>Production</u> (long tons)	<u>Imports</u> (long tons)
1960	104,900	25
1961	99,000	262
1962	105,800	17,744

XIII. PYRITES1. Nature and extent of subsidy(a) Background and authority

The background to the pyrites bounty is the same as that for the bounty on sulphuric acid - to discharge the Government's obligation towards those producers who had co-operated in the previous policy of converting sulphuric acid plants to the use of indigenous materials.

Previously bounty had been paid to acid producers under the Sulphuric Acid Bounty Act 1954-1959 at a rate sufficient to compensate them both for the extra cost of pyrites vis-à-vis imported brimstone and for the additional conversion costs arising from the use of pyrites. However, following consideration by the Government of a recommendation by the Tariff Board, after public enquiry, pyrites and acid producers now receive separate bounties under the Pyrites Bounty Act, 1960 and the Sulphuric Acid Bounty Act, 1954-1960.

(b) Incidence of subsidy

Bounty is payable, under specified conditions to registered producers of iron pyrites, in respect of the sulphur content of pyrites received into the premises of domestic sulphuric acid producers and used in the production of sulphuric acid.

(c) Amount of subsidy paid

Year ended 30 June 1962 - £396,951. (The first full year for which a separate pyrites bounty was paid.)

(d) Amount per unit

A basic rate of £3 per ton of sulphur content of the pyrites, rising or falling inversely with variations in the landed cost of imported brimstone below or above £16 per long ton. (Subject to reduction should annual profits exceed 12½ per cent of capital used.)

2. Effect of subsidy

(a) Quantitative trade effects

See comments on sulphuric acid bounty.

(b) Statistics

In 1961/62, bounty was paid on 94,696 long tons of sulphur contained in iron pyrites.

XIV. SULPHURIC ACID

1. Nature and extent of subsidy

(a) Background and authority

Payment of bounty on sulphuric acid produced from prescribed indigenous sulphur-bearing materials is made under the Sulphuric Acid Bounty Act, 1954-1960.

The background to the bounty was a policy decision by the Government to encourage conversion of Australian sulphuric acid plants to the use of indigenous materials, because of uncertainties in the future supply of brimstone from overseas. With the discovery of new sources of brimstone overseas, this policy has now been discontinued; however, bounty is paid to discharge the Government's obligations to those Australian producers who had co-operated in the policy of encouragement, by converting or erecting plants to use Australian raw materials, or by developing sources of those materials.

The rates of bounty now payable are intended to compensate acid manufacturers for disabilities involved in processing indigenous materials. The rates of bounty follow consideration by the Government of recommendations made by the Tariff Board after public enquiry.

(b) Incidence of subsidy

Bounty is payable, subject to specified conditions, to registered producers of sulphuric acid from indigenous iron pyrites or lead sinter gas. The sulphuric acid must be sold for delivery in Australia, or used by the producers in the production in Australia of any commodity.

(c) Amount of subsidy paid

<u>Year ended 30 June</u>	
1960*	£1,480,638
1961	£1,353,249
1962	£1,008,908

* Bounty for 1959/60 included indirect payments to producers of iron pyrites. For part of 1960/61 and the whole of 1961/62, these payments have been made separately under the Pyrites Bounty Act (q.v.).

(d) Amount per unit

(i) On acid produced from iron pyrites

£5 per ton of 100 per cent sulphuric acid, except for limited quantities of acid produced from iron pyrites purchased or received before 1 January 1961. A variable rate of up to £4 per long ton is payable on these limited quantities. Payments are, in either case, subject to reduction should profits from the production and sale of pyritic sulphuric acid in any year exceed $12\frac{1}{2}$ per cent of capital used in such production and sale.

(ii) On acid produced from lead sinter gas

£1.2.0. per ton of 100 per cent acid, varying inversely by 1/9d. for each 5s. or part thereof by which the landed duty-free cost of imported brimstone rises or falls from £16 per long ton. (Subject also to reduction if profits exceed $12\frac{1}{2}$ per cent.)

2. Effect of subsidy(a) Quantitative trade effects

Imports and exports of sulphuric acid are negligible. The effect of the subsidy is on imports of brimstone. Changes in the level of these imports due to the operation of the bounty cannot be estimated, as other factors such as variations in the demand for sulphuric acid, and production of acid from materials not prescribed for bounty purposes, would also be relevant.

(b) Statistics

Imports of brimstone and Australian production of sulphuric acid in recent years are given in the following table.

Year Ended	Imports of Brimstone	Australian Production of Sulphuric Acid
30 June	(long tons)	(tons of 100% strength acid)
1958	206,900	1,001,400
1959	174,000	986,000
1960	169,546	1,071,000
1961	233,754	1,122,000
1962	172,333	1,136,000

- NOTES:
- (a) Consumption figures are not available but production figures quoted should provide a reasonable guide.
- (b) Production figures include production from imported brimstone and from indigenous materials not prescribed for purposes of the bounty.