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GENERAL AGREEMENT ON TARIFFS AND TRADE

Committee on Subsidies and
Countervailing Measures

Original: English

NOTIFICATIONS PURSUANT TO ARTICLE XVI:1

AUSTRALIA

In accordance with the Decision of the CONTRACTING PARTIES at their Twentieth Session, Australia submits the following updated notification of subsidy measures for 1985.

This notification covers new measures and changes introduced since the previous complete notification in 1984 (L/5603/Add.18).

I ADP EQUIPMENT

1. Nature and Extent of Bounty

(a) Background and Authority

The Automatic Data Processing Equipment Bounty Act 1977 provided for the payment of bounty on certain ADP equipment. The Act commenced operation on 29 March 1977 and was to terminate on 28 March 1984. It was extended to 5 July 1984 by proclamation. The Act was superceded by the Bounty (Computers) Act 1984.

(b) Incidence

Bounty was payable on certain ADP equipment produced in Australia.

(c) Amount of Bounty Paid

| Period | \$A'000 | Bountiable Production Units |
|-------------------------------|---------|-----------------------------------|
| 29 March 1980 - 28 March 1982 | 2,171.6 | 5,984 |
| 29 March 1982 - 30 June 1982 | 554.0 | 1,229 |
| 1982/83 | 702.8 | 2,758 |
| 1983/84 | 263.7 | 1,543 |

(d) Rate of Bounty

The Bounty was payable to the manufacturer as a percentage of value added. The percentage of value added varies over the life of the bounty as follows:

29 March 1977 to 28 March 1980 - 20 per cent
29 March 1980 to 28 March 1982 - 15 per cent
29 March 1982 to 5 July 1984 - 7.5 per cent

2. Effect of Bounty

(a) Trade Effects

Bounty enabled local manufacturers of ADP equipment to become more competitive against imports.

(b) Statistics

| Year | Imports (\$A'000) | Exports (a) (\$A'000) |
|---------|----------------------|--------------------------|
| 1980/81 | 377,386 | 3,326 |
| 1981/82 | 409,609 | 1,990 |
| 1982/83 | 486,540 | 4,528 |

(a) Exports of Australian produce only.

Note: Production and consumption statistics are not available.

II AGRICULTURAL TRACTORS

1. Nature and Extent of Bounty

(a) Background and Authority

A Bounty on agricultural tractors having a power rating of 15kW or more is paid by authority of the Bounty (Agricultural Tractors) Act 1966. The Act commenced on 1 January 1977 and after being extended by proclamation will now terminate on 30 June 1985

(b) Incidence

The bounty is payable in respect of tractors manufactured at registered premises and sold for use in Australia or in a territory of Australia not forming part of Australia.

(c) Amount of Bounty Paid

| Year | \$A'000 | Bountiable Number | Production Value (\$A'000) |
|---------|---------|----------------------|----------------------------------|
| 1980/81 | 6,978.6 | 2,715 | 64,220 |
| 1981/82 | 6,856.8 | 2,490 | 66,994 |
| 1982/83 | 3,189.5 | 1,424 | 25,186 |
| 1983/84 | 3683.8 | 808 | 27,185 |

(d) Rate of Bounty

The amount of bounty per tractor varies between \$366 and \$3,480 according to the output of the engine of the tractor and is adjusted quarterly by a specified factor, which originally reflected import price movements. However, for the period 10 June 1983 to the termination date, these amounts were doubled by amendment to the Act. The factor for January to March 1985 was 2.0890861 and is 2.1796842 for the following quarter.

2. Effect of Bounty

(a) Trade Effects

The bounty accords reasonable protection to local manufacturers without increasing costs to primary producers.

(b) Statistics

| Year | Imports | | Exports (a) | |
|---------|---------|--------------------|-------------|--------------------|
| | Number | Value (\$A'000) | Number | Value (\$A'000) |
| 1980/81 | 16,807 | 175,847 | 207 | 4,020 |
| 1981/82 | 23,860 | 238,554 | 81 | 2,035 |
| 1982/83 | 13,274 | 136,973 | 231 | 1,701 |

(a) Exports of Australian produce only.

Note: Exports include tractors other than agricultural and are not strictly comparable to imports

III APPLE AND PEAR UNDERWRITING SCHEME

1. Nature and extent of the Subsidy

(a) Background and Authority

An underwriting scheme for apples and pears operates under the Apple and Pear Export Underwriting Act 1981. It was implemented at the beginning of the 1981 apple and pear export season and is due to terminate at the end of the 1985 export season.

The aim of the Scheme is to give the apple and pear industries security against sharp and rapid declines in prices in export markets without masking from the industry any underlying price trends.

The assistance needs of the apple and pear industry beyond 1985 are currently being examined by the Industries Assistance Commission which is to report to the Government by September 1985.

(b) Incidence

The export underwriting arrangements apply to all exports of apples and pears. The Government guarantees, separately for apples and pears, a minimum return of 95% of the weighted average returns for all exports over the preceding 4 seasons.

(c) Amount Paid

In 1981 underwriting payments were made on apple exports, totalling \$4.8m. There were no payments on pear exports. During 1982, 1983 and 1984 the average returns were above the guaranteed minimum export prices for both apples and pears and consequently no payments were made under the underwriting scheme. It is considered unlikely that any payments will be made for the 1985 season.

(d) Rate of Subsidy

The rate of payment is determined by the difference between the guaranteed minimum price and the average export return, when the average return is below the guaranteed minimum.

2. Effect of Subsidy(a) Trade Effects

Underwriting serves to protect growers against sudden downturns in prices realised on world markets. However, it does not mask changes in the market, including downward trends in returns from exports.

(b) Statistics

FRESH APPLES AND PEARS
PRODUCTION, CONSUMPTION, EXPORTS
('000 Tonnes)

| Year | Production (a) | Australian Fresh Consumption (a) (c) | Exports (b) |
|---------------|-------------------|---|----------------|
| <u>Apples</u> | | | |
| 1980/81 | 307 | 167 | 39 |
| 1981/82 | 295 | 187 | 48 |
| 1982/83 | 285 | 166 | 33 |
| 1983/84 | 281(e) | 181(e) | 14(e) |
| 1984/85 | 310(f) | 190(f) | 30(f) |
| <u>Pears</u> | | | |
| 1980/81 | 146 | 14 | 36 |
| 1981/82 | 110 | 39 | 23 |
| 1982/83 | 119 | 22 | 29 |
| 1983/84 | 113(e) | 24(e) | 22(e) |
| 1984/85 | 118(f) | 25(f) | 30(f) |

(a) Based on crop year 1 April to 31 March

(b) Excludes re-exports and ships stores

(c) Fresh domestic disposal

- (e) Estimated by Department of Primary Industry/Bureau of Agricultural Economics and does not include fruit sent for juicing or canning
- (f) Forecast figures by Department of Primary Industry/Bureau of Agricultural Economics.

Note: Imports of fresh apples and pears into Australia have not occurred because of plant quarantine restrictions.

IV BED SHEETING

1. Nature and extent of Bounty

(a) Background and Authority

The Bounty (Bed Sheeting) Act 1977 provides for the payment of bounty on certain bed sheeting and commenced operation on 1 September 1976. The Act may be terminated by proclamation

(b) Incidence

The Bounty is payable on certain polyester cotton bed sheeting woven, printed and made up with bed linen by the manufacturer. The maximum payment in any twelve month period (defined as 1 November to 31 October) is \$600,000. Bounty is not payable on exported bed sheeting.

(c) Amount of Bounty Paid

| Year | \$A'000 | Bountiable Production ('000 sq. m) |
|-------------------------|---------|--|
| Nov 1980 - Oct 1981 | 600.0 | 3,385 |
| Nov 1981 - June 1982 | 287.8 | 1,439 |
| 1982/83 | 376.5 | 1,883 |
| 1983/84 | 729.8 | 3,649 |

(d) Rate of Bounty

The Bounty is payable to the manufacturer at the rate of 20 cents per square metre of printed sheeting used in the manufacture of bed linen.

2. Effect of Bounty

(a) Trade Effects

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

(b) Statistics

Statistics relating to bed sheeting are not separately recorded.

V. BOOKS

1. Nature and extent of Bounty

(a) Background and Authority

The Bounty (Books) Act 1969 provides for payment of bounty on books and has been operative since 26 September 1969. The Act is due to expire on 31 December 1986.

(b) Incidence

Bounty is payable on approved books manufactured and sold in Australia. Initially, approved books were those registered for transmission through the post as a book. In 1970, it was decided that the eligibility should be by reference to tariff classification together with a requirement that the book must have a minimum number of pages. In 1980 the Government further restricted eligibility to a minimum run of 1,000 copies in the same production run. This was said to be the minimum amount by which the industry could reasonably remain competitive against imports.

(c) Amount of Bounty Paid

| Year | \$A'000 | Bountiable Production No. of Books |
|---------|---------|---------------------------------------|
| 1980/81 | 15,005 | 65,452,914 |
| 1981/82 | 15,704 | 58,413,079 |
| 1982/83 | 18,748 | 74,655,111 |
| 1983/84 | 17,604 | 67,979,160 |

(d) Rate of Bounty

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

- 1 January 1969 - 31 December 1982 : 33.3%
- 1 January 1983 - 31 December 1983 : 30%
- 1 January 1984 - 31 December 1986 : 25%

2. Effect of Bounty

(a) Trade Effects

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

(b) Statistics

| Year | Imports \$A'000 | Exports (\$A'000) |
|---------|--------------------|----------------------|
| 1980/81 | 163,318 | 22,504 |
| 1981/82 | 181,771 | 25,152 |
| 1982/83 | 201,832 | 23,582 |

VI COMPUTERS

1. Nature and Extent

(a) Background

The Bounty (Computers) Act 1984 provides for the payment of bounty on the manufacture of computer hardware (of the type to which items 84.53 and 84.55 and similar hardware of a kind to which a general rate of duty of 2% or less) would apply under the Australian Customs Tariff. The introduction of the bounty coincided with the reduction in duties to minimum rates.

Additionally the Act also provides for bounty payments to computer based machines of a kind to which item 84.51, 84.52 and 84.55 of the Tariff would apply.

The Act commenced on 6 July 1984 and is due to terminate on 5 July 1990.

(b) Incidence

The Bounty is payable on equipment produced in Australia.

(c) Amount

No details are yet available.

(d) Rate

The Bounty is payable to the manufacturer at the rate of 25 per cent of the in house value added by him on his premises and on certain sub-contracted activities such as operating systems software development and research and development.

2. Effect of Bounty

Bounty enables local manufacturers of computer and related hardware to become more competitive against imports.

VII DAIRY PRODUCTS

Government Underwriting of Equalised Values for Butter, Cheese, Skim Milk Powder, Casein and Whole Milk Powder

1. Nature and Extent of Subsidy

(a) Background and Authority

The current underwriting scheme is administered in conjunction with the marketing arrangements introduced in July 1977. Legislation was passed in June of that year to provide for a levy/disbursement scheme to replace the voluntary equalisation scheme previously operated by the industry. This scheme imposes levies payable by manufacturers on the production of the prescribed products (butter, certain cheeses, skim milk powder, wholemilk powder and casein) sold on the domestic market. The purpose of the levies is to support the domestic price structure for prescribed products, and through their disbursement, to provide each manufacturer with an equalised return from domestic and export sales of such products. Equalisation is achieved by means of pooling arrangements for domestic and export returns.

Underwriting payments (the basis for which is not specified in legislation, but is determined by an administrative decision authorising a Budget appropriation to meet costs) are only made if the equalised return falls below the underwritten value. [The method of determining underwritten values is described under (b) below].

New marketing arrangements have recently been announced for the Australian Dairy Industry. They will take effect from 1 July 1985. A summary of the new system is at attachment A.

(b) Incidence

The underwritten values which have applied are as follows:

| Production Period | Butter | Cheese* | Skim Milk Powder | Casein | Whole Milk Powder |
|-------------------|--------|---------|------------------|--------|-------------------|
| (\$A per tonne) | | | | | |
| 1980-81 | 1320 | 1266 | 705 | 1843 | 961 |
| 1981-82 | 1655 | 1490 | 835 | 2085 | 1110 |
| 1982-83 | 1850 | 1575 | 875 | 2155 | 1150 |
| 1983-84 | 2020 | 1709 | 915 | 2196 | 1269 |
| 1984-85 | 1885 | 1721 | 846 | 2126 | 1228 |

Types of cheese covered are Cheddar, Stirred Curd, Granular, Colby, Cheedam, Monterey and processed cheese (natural cheese equivalent). Gouda was covered by the underwriting arrangements until 1981-82, but was removed from the arrangement for the 1982-83 and subsequent season.

Apart from the 1978-79 season, when a limit was imposed on the quantity of butter production which would be underwritten, all production of prescribed dairy products has been underwritten.

Up until the 1981-82 season the underwritten value for each prescribed product was determined with a view to achieving a minimum average farm gate return on milk fat. The values were on a net (after deduction of pool costs) basis. Since 1981-82, the gross equalised pool return for the total production of each of the prescribed dairy products has been underwritten at 95 per cent of a three year moving average of gross equalised pool returns. The three years taken into account are the forecast for the year in which underwriting is to apply and estimates for the 2 previous years.

Underwriting involves a payment by the Australian Government only if the pool return on a product is lower than the underwritten level. As the domestic price has always been above the

underwritten level, the extent of underwriting mainly depends upon export prices and the proportion of product which is exported.

In the 1980-81, 1981-82 and 1982-83 seasons no Australian Government underwriting was necessary. Improved market returns resulted in equalised returns from the various product pools for these seasons being higher than the underwritten values, and no payment was therefore required. It is estimated that an Australian Government contribution of the order of \$9 million will be necessary for the 1983-84 year with a lesser payment possible in the 1984-85 season, based on a forecast of current production and export returns.

(c) Amount of Subsidy Paid

The Budgetary Cost of Underwriting Prescribed Dairy Products:
1980-1981 to 1984-85 (\$'000)

| Production Period | 1980-81 | 1981-82 | 1982-83 | 1983-84(e) | 1984-85(e) |
|-------------------|---------|---------|---------|------------|------------|
| Butter | nil | nil | nil | 5,217 | 8,664 |
| Cheese | nil | nil | nil | nil | nil |
| SMP | nil | nil | nil | 4,030 | nil |
| Casein | nil | nil | nil | nil | nil |
| WMP | nil | nil | nil | nil | nil |
| TOTAL | nil | nil | nil | 9,247 | 8,664 |

(e) Estimate by Department of Primary Industry

Source: Industries Assistance Commission Report: "The Dairy Industry"; November 1983

2. Effect of Subsidy

The intention of underwriting has been to protect producers against unexpected and sharp falls in market returns without masking underlying long-term market trends. It was not designed to provide a continuing subsidy or mask longer term market trends. As an added benefit it also facilitated the industry's financing requirements.

(b) Statistics

MANUFACTURE OF DAIRY PRODUCTS : 1980-81 to 1983-84
(Tonnes)

| | Butter (a) | Cheese (b) | Condensed, Concentrated and Evaporated Milk | | Dried or in powdered form | | Casein | Powdered Buttermilk | Infants' Invalids' and Health Beverages (d) |
|---------|------------|------------|--|-------|------------------------------|--------|--------|------------------------|--|
| | | | Full Cream (c) | Skim | Full Cream | Skim | | | |
| 1980-81 | 79374 | 134807 | 58931 | 20076 | 74842 | 74314 | 13635 | 6610 | 29742 |
| 1981-82 | 76396 | 153287 | 54379 | 19767 | 59035 | 76498 | 8154 | 5845 | 29513 |
| 1982-83 | 88338 | 158200 | 45529 | 20184 | 52031 | 89646 | 11393 | 8407 | 27709 |
| 1983-84 | 111280 | 161209 | 47829 | 20830 | 46683 | 113577 | 13274 | 9864 | 30464 |

a) Factory production. Includes butter equivalent of direct butter oil production.

b) Non-processed cheese only.

(c) Includes sweetened and unsweetened milk and coffee and milk mixtures.

(d) Includes malted milk.

SOURCE: Production Bulletin No. 3: Food Drink and Tobacco Australia, December 1984 Australian Bureau of Statistics.

APPARENT TOTAL AND PER CAPITA ANNUAL CONSUMPTION OF
DAIRY PRODUCTS 1980-81 TO 1983-84

TABLE 1 - AVAILABLE FOR CONSUMPTION

| | 1980-81 | 1981-82 | 1982-83 | 1983-84(p) |
|---|---------|---------|---------|------------|
| Market milk (mil litres) | 1540.0 | 1552.3 | 1572.2 | 1571.9 |
| Butter (a) ('000 tonnes) | 63.7 | 64.6 | 61.5 | 60.4 |
| Cheese (natural equivalent weight ('000 tonnes) | 97.6 | 105.0 | 113.2 | 118.5 |

TABLE 2 : APPARENT PER CAPITA CONSUMPTION

| | 1980-81 | 1981-82 | 1982-83 | 1983-84(p) |
|---|---------|---------|---------|------------|
| Market milk (litres) | 104.0 | 103.1 | 102.9 | 102.3 |
| Butter (a) (kgs) | 4.3 | 4.3 | 4.0 | 4.0 |
| Cheese (natural equivalent weight (kgs) | 6.6 | 7.0 | 7.4 | 7.7 |

(a) Includes butter equivalent of butter oil, butter concentrate and ghee.

(p) Preliminary

Source: Australian Bureau of Statistics data.

IMPORTS OF DAIRY PRODUCE

| Year | Cheese (kg) | Butter (kg) | Powdered Milk (WMP, SMP, BMP & Whey Powder) (kg) | Condensed Milk (kg) | Casein* (\$A) |
|---------|-------------|-------------|--|---------------------|---------------|
| 1980-81 | 13,273,704 | 2,530,331 | 2,889,479(a) | 384,673 | 417,917 |
| 1981-82 | 16,832,363 | 336,456 | 1,712,943(a) | 373,488 | 262,325 |
| 1982-83 | 19,740,470 | 7,822 | 2,088,127(a) | 335,759 | 498,611 |
| 1983-84 | 22,312,008 | 385 | 1,930,779(a) | 418,632 | 565,789 |

* NB : Figures for casein available only in value (\$A)

(a) See below

POWDERED MILK IMPORTS* (kg)

| Year | Whey | SMP | WMP/BMP |
|---------|---------|---------|-----------|
| 1980/81 | 856,082 | 595,747 | 1,437,650 |
| 1981/82 | 976,901 | 598,984 | 137,058 |
| 1982/83 | 875,240 | 786,240 | 426,647 |
| 1983/84 | 954,844 | 730,005 | 249,930 |

* WMP and BMP figures are not separately available

Source: Australian Bureau of Statistics preliminary data.

MAJOR DAIRY EXPORTS : 1980-81 to 1983-84
(Tonnes)

| | Butter | Butteroil and Butter Concentrate | Cheese | Casein | Preserved, Concentrated, etc. | Dried or in powdered form | | Milk and Cream Baby Foods | Ice Cream Mix | |
|---------|--------|--|--------|--------|-------------------------------------|------------------------------|-------------|---------------------------------|---------------------|------------|
| | | | | | | Sweetened | Unsweetened | | | Full Cream |
| 1980-81 | 10305 | 4182 | 54072 | 10490 | 6970 | 7081 | 44457 | 6501 | 13601 | 1110 |
| 1981-82 | 5045 | 1683 | 57416 | 9179 | 6449 | 3575 | 43280 | 28609 | 12915 | 62 |
| 1982-83 | 7674 | 7876 | 53914 | 10238 | 1327 | 3920 | 34841 | 36582 | 10766 | 65 |
| 1983-84 | 22790 | 6960 | 54545 | 10210 | 1743 | 3091 | 27042 | 61485 | 12747 | 511 |

Source: Australian Bureau of Statistics Preliminary Data.

VIII DRIED VINE FRUITS

1. Nature and Extent of Subsidy

(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 March 1985 the Government announced its decision to introduce changes to the Dried Sultana Production Underwriting Act, following its consideration of an Industries Assistance Commission report on its inquiry into the dried vine fruits industry. The new arrangements are expected to apply to the 1986 to 1990 seasons.

(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% of the average of net returns at packing houses in the preceding two seasons and the estimated net return for the current season. In the 1985 season the guaranteed minimum return is to be 95% of the three year average net return. If the net return for a season were less than the guaranteed level, an underwriting payment equal to the difference has been made on the total production in that season.

The new underwriting arrangement is based on the government guaranteeing minimum returns per tonne from production in each of the 1986 to 1990 seasons equal to 80% of average exports returns at the free-on-board (f.o.b.) 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 subsidy

Underwriting payments totalled \$1.321 million for the 1982 season but no payment was made for 1983 season production. The situation for the 1984 and 1985 season has not yet been finally determined.

(d) Estimated amount per unit

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

2. Effect of Subsidy

(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 significant 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 new arrangement provides for the guaranteed minimum return to be set at only 80% 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) StatisticsSULTANAS
(tonnes)

| Season(a) | Production | Consumption (b) | Exports | End of Season Stocks |
|-----------|------------|-----------------|---------|----------------------|
| 1980 | 85,735 | 21,308 | 57,687 | 6,740 |
| 1981 | 51,840 | 19,500 | 31,370 | 7,710 |
| 1982 | 80,380 | 22,910 | 52,890 | 12,528 |
| 1983 | 75,672 | 24,587 | 53,818 | 10,626 |
| 1984(p) | 81,077 | 21,415 | 57,828 | 10,956 |
| 1985(e) | 65,000 | 25,000 | 47,000 | N.A. |

Source: Australian Dried Fruits Corporation

- Notes: (a) Season commencing 1 March
 (b) Consumption figures do not include imports.
 (p) Preliminary
 (e) Estimated
 N.A. Not available

Imports of Sultanas, Currants and Raisins

| | (tonnes) |
|---------------|----------|
| 1980/81 | 0.8 |
| 1981/82 | 0.2 |
| 1982/83 | 221.1 |
| 1983/84(p) | 2472.9 |
| 1984/85 (YTD) | 2073.9 |

Source: Australian Bureau of Statistics

Notes : (YTD) Year to Date - July 1984 to February 1985

IX METAL WORKING MACHINE TOOLS1. Nature and Extent of Bounty(a) Background and Authority

The Bounty (Metal-working Machine Tools) Act 1978 came into operation on 25 May 1978 as a result of the Government's acceptance of an Industries Assistance Commission recommendation to replace the Metal Working Machine Tools Bounty Act of 1972. The bounty was due to terminate on 30 June 1984 but has been

extended to 30 June 1985, pending a Government decision on details of revised scheme.

(b) Incidence

The Act provides for the payment of bounty on the production of certain metal-working machine tools manufactured at registered premises and used or sold for use in Australia and on design work carried out in Australia in relation to bountiable machine tools. Bounty is not payable where the Australian content of factory cost of a machine tool falls below 55%.

(c) Amount of Bounty Paid

| Year | \$A'000 |
|---------|---------|
| 1980/81 | 13,583 |
| 1981/82 | 14,470 |
| 1982/83 | 14,059 |
| 1983/84 | 10,397 |

(d) The rate of bounty is calculated as being one-third of the Australian factory cost of the machine tool and one-quarter of the Australian design cost (if any) of the tool.

2. Effect of Bounty

(a) Trade Effects

The bounty provides reasonable protection to local manufacturers. It also allows imports to enter Australia duty free.

(b) Statistics

IMPORT CLEARANCES

| <u>Year</u> | <u>\$A'000</u> |
|-------------|----------------|
| 1980/81 | 163,798 |
| 1981/82 | 164,542 |
| 1982/83 | 125,586 |
| 1983/84 | 96,132 |

Note: Export and production statistics are not separately recorded.

X ELECTRIC MOTORS

1. Nature and Extent

(a) Background and Authority

The Bounty (Electric Motors) Act 1984 provides for the payment of bounty on certain alternating current, 3 phase, squirrel cage motors with a power rating of less than 38kW but not less than 0.746kW. The Act commenced on 17 July 1984 and is due to terminate on 16 July 1985 or such other day fixed by the Minister and notified in the Commonwealth of Australia Gazette.

(b) Incidence

Bounty is payable on certain motors produced at registered premises in Australia, providing the value added to the motor by the manufacturer is not less than 33 1/3% of the factory cost.

(c) Amount of Bounty Paid

No details of payment are available at this time.

(d) Rate of Bounty

The Bounty is paid at the rate of \$14 per motor. Payments to any one producer are limited to a maximum of \$300,000 for the duration of the Act.

2. Effect of Bounty

The bounty is to provide short term assistance to manufacturers of certain electric motors to ensure the continued viability of that sector of the industry pending the Government's decision this year on long term assistance arrangements.

XI NITROGENOUS FERTILIZERS

1. Nature and Extent of Subsidy

(a) Background and Authority

A subsidy on nitrogenous fertilizers is paid under the Nitrogenous Fertilizers Subsidy Act 1966. The Act covers payment of a subsidy on fertilizers containing nitrogenous substances which are sold for use in Australia as a fertilizer. The subsidy is due to end on 30 June 1986.

(b) Incidence

The subsidy is payable equally on locally produced and imported nitrogenous fertilizers; the benefits of the subsidy are required by law to be passed on to the consumer of the fertilizer.

(c) Amount of Subsidy Paid

| Year | \$A'000 |
|---------|---------|
| 1980/81 | 4,605 |
| 1981/82 | 5,264 |
| 1982/83 | 5,451 |
| 1983/84 | 5,283 |
| 1984/85 | 6,300 |

(d) Rate of Subsidy

The Subsidy is payable at the rate of \$A20 for each tonne of contained nitrogen

2. Effect of Subsidy

(a) Trade Effects

The effect of the subsidy has been to encourage the use of locally produced and imported nitrogenous fertilizers, by reducing the final cost to consumers.

3. Statistics

| Year | Imports | | Exports | | Consumption (1) '000t |
|---------|---------|-------|---------|-------|--------------------------|
| | \$Am. | '000t | \$Am. | '000t | |
| 1980/81 | 12.7 | 85.7 | 4.6 | 23.0 | 392.0 |
| 1981/82 | 16.2 | 108.2 | 4.1 | 18.5 | 394.9 |
| 1982/83 | 15.6 | 101.2 | 3.5 | 21.2 | 428.7 |

(1) Consumption figures are based on year ended 31 March

XII PHOSPHATIC FERTILIZERS

1. Nature and Extent of Subsidy

(a) Background and Authority

The Subsidy on phosphatic fertilizers is paid under the authority of the Phosphate Fertilizers Subsidy Act 1963. The Subsidy is due to end on 30 June 1986.

(b) Incidence

The Subsidy is payable on all locally produced and imported phosphatic fertilizers. The Subsidy has applied to imports since

July 1982. The benefits of the subsidy are required by law to be passed on to the consumer of this fertilizer.

(c) Amount of Subsidy Paid

| Year | \$A'000 |
|---------|---------|
| 1980/81 | 46,763 |
| 1981/82 | 43,395 |
| 1982/83 | 41,992 |
| 1983/84 | 43,865 |
| 1984/85 | 49,000 |

(d) Rate of Subsidy

The Subsidy is paid at the rate of \$A12 per tonne of single superphosphate, and \$A138 per tonne of the available phosphorus content of high analysis fertilizers and mixtures.

2. Effect of Subsidy

(a) Trade Effects

The subsidy has reduced costs to consumers thereby encouraged use of and locally produced and imported phosphatic fertilizers.

(b) Statistics

| Year | Imports | | Exports | | Production Consumption ⁽¹⁾ | |
|---------|---------|---------|---------|---------|---------------------------------------|-------------|
| | tonnes | \$A'000 | tonnes | \$A'000 | '000 tonnes | '000 tonnes |
| 1980/81 | 6.5 | 2.4 | 890.4 | 211.2 | 355.7 | 2946.6 |
| 1981/82 | 107.2 | 116.0 | 968.6 | 216.3 | 3464 | 2873.5 |
| 1982/83 | 25245.1 | 3579.6 | 1761.7 | 369.4 | N.A. | 2562.0 |

(1) Consumption figures are based on year ended 31 March.

XIII SHIPBUILDING**1. Nature and extent of Bounty****(a) Background and Authority**

To provide assistance to the Australian shipbuilding industry the Government promulgated the Bounty (Ships) Act 1980. The Act provides for the payment of bounty in respect of the construction in Australia of vessels over 150 gross (construction) tonnes or over 21 metres in the case of fishing vessels. The Bounty (Ships) Act came into operation on 1 July 1980, replacing the former Ship Construction Bounty Act 1975.

(b) Incidence

Under the 1980 Act, bounty is payable to shipbuilders in respect of vessels built for use in Australian waters or for use by Australian flag operators in international trade. The Bounty is currently payable at a rate of 25 per cent on a "cost of construction" basis. The bounty is scheduled to be phased down to a long term rate of 20 per cent by July 1986. It is also payable at a rate of 20 per cent in respect of modifications to existing vessels, where the cost of shipbuilding type activity exceeds \$400,000.

(c) Amount of Bounty Paid

| Year | Bounty Paid Under | |
|---------|--|--------------------------------|
| | Ship Construction Bounty Act \$A mill | Bounty (Ships) Act \$A mill |
| 1980/81 | 12.9 | 4.99 |
| 1981/82 | 3.1 | 23.74 |
| 1982/83 | 0.91 | 24.88 |
| 1983/84 | 0.04 | 26.61 |

(d) Rate of Bounty

Refer to (b) Incidence.

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. It is not payable on vessels built for export.

(b) Statistics

Relevant statistics are not separately recorded.

XIV SUGAR

1. Nature and Extent of Subsidy

(a) Background and Authority

Operating under an agreement between the Commonwealth and Queensland Governments. There is a system of rebating part of the price of the sugar content of certain manufactured products exported. This arrangement, has operated for over forty years and the cost of the rebate is borne by the Australian sugar industry.

(b) Incidence

When the world free market price for sugar, expressed on a comparable basis, is less than the price for sugar sold in Australia, as specified under the Commonwealth/Queensland Sugar Agreement, rebates equal to the difference between the two prices are granted to exporters of fruit products and other approved products according to the sugar content of those products.

(c) Amount of Subsidy paid

| <u>Year</u> | <u>\$A'000</u> |
|-------------|----------------|
| 1980/81 | 549 |
| 1981/82 | 30 |
| 1982/83 | 1,295 |
| 1983/84 | 1,400 |

(d) Date of Subsidy

The export sugar rebate was \$179.10 per tonne in July 1984. The rate rose to \$242.90 in January 1985 falling to \$187.50 in March (latest figures available).

2. Effect of Subsidy

(a) Trade Effects

The rebate is designed to remove any disability in relation to exports of products containing sugar arising from payments of prices for domestic sugar above ruling free market levels overseas. Its effect when the world price for sugar is below the Australian domestic price 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 Sugar - Production, Consumption, Imports and Exports
('000 tonnes - raw value)

| <u>Year</u> | <u>Production</u> | <u>Consumption</u> | <u>Exports</u> |
|-------------|-------------------|--------------------|----------------|
| 1981 | 3508.6 | 793.1 | 2982.1 |
| 1982 | 3652.2 | 782.7 | 2503.8 |
| 1983 | 3256.3 | 759.8 | 2425.3 |
| 1984 * | 3626.5 | 749.5 | 2590.6 |

Source: International Sugar Organisation (ISO) Year Books
and ISO Statistical Bulletins

Note: Australia does not import raw sugar

* 1984 figures not published by ISO as yet. This information is provided by the Australian Department of Trade on monthly basis for use in ISO monthly bulletin.

XV PAPER

1. Nature and Extent of Bounty

(a) Background and Authority

The Bounty (Paper) Act 1979 came into effect on 6 February 1979 and will terminate on 5 February 1987.

(b) Incidence

The Act provides for the payment of a bounty on certain coated and uncoated papers produced at registered premises and sold for use in Australia. The Bounty is not payable if the paper is used in the production of newspapers, stationery or telephone directories.

(c) Amount of Bounty Paid

| Year | \$A'000 | Bountiable Production Tonnes |
|---------------------|---------|---------------------------------|
| Feb 1980 - Jan 1981 | 1,561 | 20,015 |
| Feb 1981 - Jan 1982 | 1,341 | 17,716 |
| Feb 1982 - Jun 1982 | 623 | 8,232 |
| 1982/83 | 1,433 | 19,275 |
| 1983/84 | 1,633 | 21,222 |

(d) Rate of Bounty

The rate of bounty is \$90 per tonne for coated paper and \$70 per tonne for uncoated paper with a maximum amount payable of \$2.5 million to all recipients in any one year.

2. Effect of Bounty(a) Trade Effects

The bounty provides assistance to local manufacturers against duty free imports.

(b) Statistics

Relevant statistics are not separately recorded.

XVI INJECTION MOULDING EQUIPMENT1. Nature and extent of Bounty(a) Background and Authority

The Bounty (Injection Moulding Equipment) Act 1979 came into force on 23 May 1979 and terminated on 22 November 1984. However it is proposed to amend and extend the validity of the Act before 30 May 1985.

(b) Incidence

The Act provides for the payment of a bounty on certain moulding machine equipment manufactured at registered premises and sold for use in Australia or used by the manufacturer in Australia.

(c) Amount of Bounty paid

| <u>Year</u> | <u>\$A'000</u> |
|-------------|----------------|
| 1980/81 | 1,717 |
| 1981/82 | 1,848 |
| 1982/83 | 687 |
| 1983/84 | 748.5 |

(d) Rate of Bounty

The bounty rate was initially 45% of the value added by the manufacturer and was reduced in yearly steps of 10% with 5% being payable in the year commencing 23 May 1983. However, the Act was amended in 1983 to provide for the payment of 25% for machines completed between 23 May 1983 and 22 May 1984 inclusive, and 20% for machines completed between 23 May 1984 and 22 November 1984 inclusive. On 10 October 1984 the Government announced that the Act would be extended for a further four years and bounty would be paid at the rate of 20% for first two years, and 10% for the remainder. The total cost of the new bounty over this period is limited to \$2 million.

2. Effect of Bounty(a) Trade Effects

Both the previous and current bounty are designed to enable the Australian industry to restructure and improve its cost effectiveness against imports, without increasing the cost structure of user industries.

(b) Statistics

| <u>Competitive</u> <u>Imports</u> | <u>\$A'000</u> |
|--------------------------------------|----------------|
| 1980/81 | 5,586 |
| 1981/82 | 12,528 |
| 1982/83 | 9,976 |
| 1983/84 | 8,741 |

Export and production statistics are not separately recorded.

XVII COMMERCIAL MOTOR VEHICLES1. Nature and extent of Bounty(a) Background and Authority

The Bounty (Commercial Motor Vehicles) Act 1978 came into effect on 17 August 1978 and will terminate on 30 June 1985.

(b) Incidence

The Act provides for the payment of a bounty on the production of certain commercial motor vehicles having a gross vehicle mass of 2.72 tonnes or more and which incorporate prescribed components in their assembly. The prescribed components may not be purchased from suppliers associated in business with the assembler and must have a local content of 65 per cent or more.

(c) Amount of Bounty Paid

| <u>Year</u> | <u>\$A'000</u> |
|-------------|----------------|
| 1980/81 | 6,333 |
| 1981/82 | 6,368 |
| 1982/83 | 3,748 |
| 1983/84 | 4,150 |

(d) Rate of Bounty

The rate of bounty is 20 per cent of the "into assemblers store" cost of the presented components used in the assembly of the bountiable vehicle.

2. Effect of Bounty(a) Trade Effects

The bounty provides reasonable assistance to local component manufacturers.

(b) Statistics

Relevant statistics are not separately recorded.

XVIII PENICILLIN

1. Nature and extent of Bounty

(a) Background and Authority

The Bounty (Penicillin) Act 1980 came into operation on 1 June 1980 and is due to terminate on 31 May 1986.

(b) Incidence

The Act provides for the payment of a bounty to the producer on the production in Australia of penicillin types 'V' and 'G' for use as antibiotics.

(c) Amount of Bounty paid

| <u>Year</u> | <u>Bountiable Production</u> | |
|-------------|------------------------------|-----------|
| | <u>\$A'000</u> | <u>kg</u> |
| 1980/81 | 566.7 | 14,912 |
| 1981/82 | 982.9 | 25,531 |
| 1982/83 | 749.6 | 14,853 |
| 1983/84 | 806.1 | 14,657 |

(d) Rate of Bounty

The rate at which bounty is payable in respect of bountiable penicillin is A\$29 per kilogram for type 'O' and \$A38 per kilogram for type 'V'. A maximum total payment to all claimants of \$A900,000 per year applies under the Act, however, the rate and limit may be varied by Regulation to take account of world prices and local cost changes by multiplying by a factor.

2. Effect of Bounty

(a) Trade Effects

The bounty provides reasonable assistance to local manufacturers to maintain an adequate production capacity.

(b) Statistics

| <u>Year</u> | <u>Imports</u> <u>\$A'000</u> | <u>Exports</u> <u>\$A'000</u> |
|-------------|----------------------------------|----------------------------------|
| 1980/81 | 8,126.4 | 42.9 |
| 1981/82 | 9,792.1 | 121.7 |
| 1982/83 | 10,151.9 | 995.3 |

Note: Import/export statistics are for penicillin and its derivatives.

XIX PRINTED FABRICS

1. Nature and Extent of Bounty

(a) Background and Authority

The Bounty (Printed Fabrics) Act 1981 came into effect on 1 January 1982 and is due to terminate on 31 December 1988.

(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 man-made fibre yarns.

(c) Amount of Bounty paid

| <u>Year</u> | <u>\$A'000</u> |
|-------------|----------------|
| 1982/83 | 628 |
| 1983/84 | 882 |

(d) Rate of Bounty

Payment to the printer is made at the rate of 70 per cent of the value added to the fabric by the printer.

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.

XX **TEXTILE YARNS**

1. Nature and Extent of Bounty

(a) Background and Authority

The Bounty (Textile Yarns) Act 1981 came into effect on 1 January 1982 and is due to terminate on 31 December 1988. This Act supercedes the Bounty (Polyester-Cotton Yarn) Act 1978 which was terminated on 31 December 1981.

(b) Incidence

The Bounty is payable upon production of certain yarns, spun from certain textile fibres, and used to produce, in Australia, certain yarns, other textiles, or products made wholly or partially therefrom.

(c) Amount of Bounty paid

| <u>Year</u> | <u>\$A'000</u> |
|-------------|----------------|
| 1981/82 | 22,962 |
| 1982/83 | 66,706 |
| 1983/84 | 73,488 |

(d) Rate of Bounty

The Bounty is payable to persons performing eligible processes in production of bountiable yarns, as percentages of value added. Percentages of value added vary from 59 per cent for continuous polyamide and polyester yarns, down to 33 per cent for a range of yarns including discontinuous coarse acrylic yarns and certain yarns used to produce carpets.

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.

XXI BERRY FRUITS

1. Nature and Extent of Bounty

(a) Background and Authority

The Bounty (Berry Fruits) Act 1982 came into effect on 1 July 1982 following a report by the Industries Assistance Commission on Fruit and Fruit Products. The Act is due to terminate on 30 June 1987.

(b) Incidence

The Bounty is payable upon production in Australia of certain kinds of soft, edible, stoneless berry fruits.

(c) Amount of Bounty paid

| <u>Year</u> | <u>\$A'000</u> |
|-------------|----------------|
| 1982/83 | 222 |
| 1983/84 | 196 |

(d) Rate of Bounty

The Bounty is payable to the producers of bountiable fruit at the rate of \$A100 per tonne when delivered to processors for processing

2. Effect of Bounty

(a) Trade Effects

The bounty is intended to help the industry achieve improved efficiency at a time when competition from imports is inhibiting development of local berry fruit growing.

(b) Statistics (Raspberries and Strawberries only)

| <u>Year</u> | <u>Production(1)</u> (tonnes) | <u>Imports(2)</u> (\$A'000) | <u>Exports(2)</u> (\$A'000) |
|-------------|----------------------------------|--------------------------------|--------------------------------|
| 1982/83 | 3993 | 3000 | 543 |
| 1983/84 | 4321 | 3978 | 431 |

(1) Crop Year (1 April - 31 March)

(2) Financial Year (1 July - 30 June)

XXII HIGH ALLOY STEEL PRODUCTS

1. Nature and Extent of Bounty

(a) Background and Authority

The Bounty (High Alloy Steel Products) Act 1983 came into effect on 1 January 1984 and is due to terminate on 31 December 1988.

(b) Incidence

The Bounty is payable in respect of certain high alloy and stainless steel flat and merchant mill products previously covered in the Bounty (Steel Products) Act 1983. Again, it is paid on the local manufacture of these products providing they are sold for use in Australia.

(c) Amount of Bounty paid

| <u>Year</u> | <u>\$A'000</u> |
|-------------|----------------|
| 1983/84 | 1,523 |

(d) Rate of Bounty

The maximum bounty rate is 20% of the price paid or payable for the product and is applicable when the industry's sales in the domestic market, in a given quarter, are equal to or less than a prescribed tonnage. The bounty rate is reduced on a sliding

scale as the industry's sales in the domestic market, in a given quarter, increase with a nil rate at or above a prescribed tonnage. There is a limit on the available bounty of \$9,000,000 in any 12 month period. Both the limit and bounty rates may be varied by regulation.

2. Effect of Bounty

(a) Trade Effects

This Act along with the Bounty (Steel Mill Products) Act 1983, is expected to assist in the creation of a long term viable and internationally competitive steel industry.

(b) Statistics

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

XXVI STEEL MILL PRODUCTS

1. Nature and Extent of Bounty

(a) Background and Authority

The Bounty (Steel Mill Products) Act 1983 commenced on 1 January 1984 and is due to terminate on 31 December 1988.

(b) Incidence

The Bounty is payable on certain domestically produced quenched and tempered steel plate, cold-rolled sheet and pipe and tube produced from certain Australian feedstock and intended to be sold or disposed of by the producer for use in Australia.

(c) Amount of Bounty paid

| <u>Year</u> | <u>\$A'000</u> |
|-------------|----------------|
| 1983/84 | 7,424.7 |

(d) Rate of Bounty

A maximum bounty rate for each of the three types of bountiable product is applicable when the industry's usage of Australian feedstock, in a given quarter, is equal to or less than a prescribed tonnage. The bounty rates are reduced on a sliding scale as the industry's usage of Australian feedstock in a given quarter increases with a nil rate at or above prescribed tonnages.

The maximum bounty rate for cold rolled sheet and for pipe and tube is 17% of the sales value of the feedstock while the maximum rate for quenched and tempered plate is 20%. There is a limit on the amount of bounty available in a given year for each product type and this currently stands at \$600,000 for quenched and tempered plate, \$40,000,000 for cold rolled sheet and \$22,000,000 for pipe and tube. Both the limits and the bounty rates may be varied by regulation.

2. Effect of Bounty

(a) Trade Effects

This Act, along with the Bounty (High Alloy Steel Products) Act 1983, is expected to assist in the creation of a long term viable and internationally competitive steel industry.

(b) Statistics

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

XXIII TRACTOR CABS

1. Nature and Extent of Bounty

(a) Background and Authority

The Bounty (Tractor Cabs) Act 1983 commenced on 10 June 1983 and has been extended by proclamation to 30 June 1985.

(b) Incidence

The Bounty is payable on production and sale of certain cabs for fitting to imported agricultural tractors provided the Australian content of the factory cost of the cab is at least 85%.

(c) Amount of Bounty paid

| <u>Year</u> | <u>\$A'000</u> |
|-------------|----------------|
| 1983/84 | 166 |

(d) Rate of Bounty

The rate of bounty is 15% of the factory cost of the cab.

2. Effect of Bounty

(a) Trade Effects

The Bounty is intended to provide short term assistance pending further inquiry into the tractor industry.

(b) Statistics

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

XXVIII TWO-STROKE ENGINES

1. Nature and Extent of Bounty

(a) Background and Authority

The Bounty (Two-Stroke Engines) Act 1984 provides for the payment of bounty of certain two-stroke air-cooled spark ignition engines with a maximum power output of 4.5kW. The Act outlines a bounty scheme which commenced on 12 January 1984 and ends on 11 January 1986.

(b) Incidence

The Bounty is payable on the production of certain two-stroke engines at registered premises in Australia providing the engines are used by the manufacturer in Australia, or sold or otherwise disposed of to another person for use in Australia. To be eligible for payment, the Australian factory cost of the engine must be at least 55% of total factory cost.

(c) Amount of Bounty Paid

No details of payment are available at this stage.

(d) Rate of Bounty

The Bounty is paid at the rate of \$6 per engine. There is an upper limit of \$1.2 million available for payment each year and the total maximum outlay under this bounty scheme is \$2.4 million over the two years of operation.

2. Effect of Bounty

The bounty is only a temporary measure. It enabled the Government to immediately reduce the duty on imported engines from 35% to 25% thus lowering the costs to users of such goods. Assistance to local manufacture will reduce to only a 25% duty at the expiry of the bounty on 11 January 1986.

ATTACHMENT A

AUSTRALIA

NEW MARKETING ARRANGEMENTS FOR THE AUSTRALIAN DAIRY INDUSTRY

1. Proposed new marketing arrangements have recently been announced for the Australian dairy industry; legislation to implement the arrangements has still to be passed by the Parliament. They are aimed at further increasing exposure to world market signals, increasing the efficiency of resource allocations, significantly reducing the level of support to the industry, and simplifying the administrative arrangements. Most of the key features are to be implemented immediately with some being phased in over a number of years. Considerable rationalisation and structural adjustment will occur under the new arrangements and hence the Government is to provide adjustment assistance for the industry. The new arrangements will take effect from 1 July 1985.

It should be noted that a number of the details of the scheme are still to be fully developed.

2. The key features of the proposed arrangements are summarised as follows:-

- a. A market support mechanism will provide a level of support to domestic prices of dairy products by increasing returns to exports. Under the new arrangements, a manufacturer's export returns will be increased by fixed market support payments up to a target figure of 130% of a three-year average for that product. This level of support will be uniform within product groups and for all dairy products. It will be self-financed and fully funded by a levy on all milk produced, with around 1.5 cents per litre being the estimated levy for the first dairy year (1 July 1985 to

30 June 1986). The maximum levy is to be limited to 2 cents per litre. Pooling of export returns as currently is the case under present legislation will terminate as from 1 July 1985.

- b. In addition, export returns will be supported by a supplementary fixed market support payment; this will be phased out over two to six years according to a formula (the less adjustment occurring in the industry the faster the phase-out). This will be financed by product levies on butter, butter oil and cheese which will similarly be phased out over two to six years (levies on all other dairy products are expected to be discontinued on 1 July 1985). Funds from the levies on butter, butter oil and cheese will be distributed across all products in accordance with international price relativities. In the first year of the arrangement's operation domestic price for major products will receive a level of support similar to that applying in 1984/85. In subsequent years it will be reduced significantly.
- c. The prices received for exported dairy products will continue to be underwritten by the Australian Government at a level intended to provide a similar degree of assistance as under present arrangements. The new basis of determining underwriting however will be 90 per cent of the average export returns for the preceding two years plus the year being underwritten. As now, this is intended to protect the industry against severe short-term fluctuations, while allowing longer-term changes in price to reach the industry. Under previous arrangements, underwriting was at 95% of the average domestic and export returns. The Industries Assistance Commission (IAC) recommended that underwriting be based on export returns only and, in view of their greater volatility, a rate of 85% should be used. The

Government's proposed rate of 90% is due to the use of a forecast for the year to be underwritten in the 3 year average, rather than the previous 3 years as suggested by the IAC.

- d. Other aspects of the new arrangements are as follows:-
- Present stabilization arrangements including the use of product levies designed to support the so-called domestic values for levy purposes are to be terminated from 1 July 1985.
 - The Australian Dairy Corporation is to be given an improved capacity to finance, on a commercial basis, the marketing of dairy products. The ADC will be able to finance the marketing of a wide range of products.
 - Export pooling will not apply for production after 30 June 1985 in order to encourage individual marketers to seek out the most profitable markets. Exporters will receive the benefits and bear the costs of their own production and marketing decisions.
 - Certain freight and storage allowances previously met by the industry as a whole (ie through a deduction from pool returns) will be discontinued, so that individual manufacturers will carry the full costs and benefit of management decisions.
 - The Government will react quickly to any threat of material injury to the local industry from imports of subsidised or dumped cheese.
 - Assistance to the industry is to be reviewed within a period of four years from the date of the Government's decision.

- A program of up to \$40 million will be provided to finance a program of adjustment assistance for the industry. The costs of the programme will be shared equally between the Commonwealth and the participating States. The major costs of the programme will be interest costs on borrowings up to the maximum level of \$40 million. The Commonwealth is prepared to consider, with the States, any proposal to provide assistance beyond the normal limits of the Rural Adjustment Scheme, eg to factories.