GENERAL AGREEMENT ON TARIFFS AND TRADE

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AUSTRALIA

The following notification has been received from the Permanent Mission of Australia and covers changes to existing measures and new measures introduced since the previous updated notification in 1986 (L/5947/Add.9).

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87-1631

I. AGRICULTURAL TRACTORS AND EQUIPMENT

1. Nature and extent of bounty

(a) Background and authority

The Bounty (Agricultural Tractors and Equipment) Act 1985 came into effect on 1 July 1985 and will terminate on 31 December 1992.

This new bounty scheme replaces previous schemes administered under the Bounty (Tractor Cabs) Act 1983 and the Bounty (Agricultural Tractors) Act 1966 - both of these Acts terminated on 30 June 1985.

(b) Incidence

The Act provides for the payment of bounty on the production of agricultural tractors, tractor cabs and tractor equipment.

(c) Amount of bounty paid

Year	$A'000
1985/86	3,032.7
1986/87	3,182.0

(d) Rate of bounty

Bounty was payable on the production of tractors with nominal engine power of 15 kw. and above and on tractor cabs at the rate of 40 per cent of value added by the manufacturer in 1984/85, and 35 per cent in 1985/86. On 20 August 1986 the bounty on tractors, and tractor cabs was reduced to 28 per cent phasing down to 20 per cent from 1 July 1987 to the termination of the Act. The rate on other bountiable equipment was 25 per cent phasing down to 20 per cent from 1 July 1987 to the termination of the Act. The bounty is only payable where the in-house value is at least 20 per cent of the factory cost of the bountiable good.

2. Effect of bounty

(a) Trade effects

The bounty provides reasonable assistance to Australian manufacturers of tractors and tractor components.

(b) Statistics

Relevant statistics are not separately recorded.

II. 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 revised at the end of the 1985 export season. The revised scheme will operate until the end of the 1990 export season when it will be again reviewed.

The aim of the scheme is to give the apple and pear industries security against sudden, sharp and rapid declines in prices in export markets without masking from the industry basic underlying price trends in the world market.

(b) Incidence

The export underwriting arrangements apply to all exports of apples and pears. The Government guarantees, separately for apples and pears, with respect to forward and at risk export sales, a minimum return of 85 per cent of the average of the annual returns for exports of the particular fruit over the best three of the preceding four seasons.

(c) Amount paid

Under the past arrangements, which applied in the 1981 to 1985 export seasons, underwriting payments were made on apple exports in 1981 only ($A 4.8m). There were no payments on pear exports. During the period 1982 to 1985, average returns were above the guaranteed minimum export prices for both apples and pears and consequently no payments were made under the underwriting scheme. No underwriting payments were required in 1985/86 and are not likely to be required in respect of 1986/87.

(d) Rate of subsidy

The rate of payment for each fruit and type of sale 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 compensate growers against some of the impact of sudden downturns in prices realized on world markets. However, it does not mask longer-term 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)	Exports (b)
Apples		
1981/82	295	48
1982/83	301	29
1983/84	267	25
1984/85	352	19
1985/86	292	30
1986/87 (f)	364	22
1987/88 (f)	290	20
Pears		
1981/82	110	23
1982/83	119	28
1983/84	122	23
1984/85	139	31
1985/86	143	35
1986/87 (f)	150	36
1987/88 (f)	123	34

(a) Based on crop year 1 April to 31 March
(b) Excludes re-exports and ships stores
(f) Forecasted (BAE)

Source: Australian Bureau of Statistics

III. 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 may be terminated by proclamation.

(b) Incidents

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 31 October) is $A 600,000. Bounty is not payable on exported bed sheeting.

(c) Amount of bounty paid

Year	Bounty paid $A'000	('000 sq. m.)
1981/82	287.8	1,439
1982/83	376.5	1,883
1983/84	*729.8	3,649
1984/85	309.6	1,548
1985/86	386.4	1,782
1986/87	56.6	N/A

*Figure exceeds $A 600,000 because payments made in different twelve-month period to reporting year.

N/A: Not available

(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.

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.

IV. 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. This Act terminated on 30 June 1987.

(b) Incidence

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

(c) Amount of bounty paid

Year	$A'000
1981/82	222
1983/84	196
1984/85	189
1985/86	203
1986/87	169

(d) Rate of bounty

The bounty was payable to the producers of bountiable fruit at the rate of $A 100 per tonne when delivered to processors for processing.

2. Effect of bounty

(a) Trade effects

This bounty was intended to help the industry achieve improved efficiency.

(b) Statistics

Year	Production[1] (tonnes)	Imports[2] ($A'000)	Exports*[2] ($A'000)
1982/83	3,993	1,250	483
1983/84	4,321	1,188	344
1984/85	4,657	1,186	653
1985/86	4,980	3,850	790

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

[2]Financial Year (1 July-30 June) Australian Produce

*Australian produce

Source: Australian Bureau of Statistics

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 expired on 31 December 1986. A new scheme was introduced on 1 January 1987 and will remain in force until 30 June 1989.

(b) Incidence

Bounty is payable on approved books manufactured 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
1981/82	15,704	58,413,079
1982/83	18,748	74,655,111
1983/84	17,604	67,979,160
1984/85	17,376	71,086,473
1985/86	18,817	63,882,166
1986/87	18,414	N/A

(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.

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 1987-30 June 1989 : 20%

Free of charge paper or binding materials

1 January 1984-19 August 1986 : 20 %

20 August 1986-31 December 1986 : 16.7%

1 January 1987-30 June 1989 : 16.7%

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)
1982/83	203,360	21,330
1983/84	228,486	25,562
1984/85	260,363	21,905
1985/86	303,288	22,630

*Australian Produce

Source: Australian Bureau of Statistics

VI. COMMERCIAL MOTOR VEHICLES

1. 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 31 December 1988.

(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

Year	$A'000
1981/82	6,368
1982/83	3,748
1983/84	4,150
1984/85	5,409
1985/86	4,422
1986/87	2,046

(d) Rate of bounty

The rate of bounty in 1985 was 20 per cent of the assembler's into store cost of the prescribed components in the assembly of the bountiable vehicle. From 1 January 1986 it is being phased down until termination of the bounty as follows:

1 January 1986 to 19 August 1986 : 16%

20 August 1986 to 31 December 1986 : 12.8%

1 January 1987 to 31 December 1987 : 9.6%

1 January 1988 to 31 December 1988 : 6.4%

2. Effect of bounty

(a) Trade effects

The bounty provides reasonable assistance to local component manufacturers.

(b) Statistics

Relevant statistics are not separately recorded.

VII. COMPUTERS

1. Nature and extent of assistance

(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 per cent 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 items 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. It superseded the Automatic Data Processing Equipment Bounty Act 1977.

(b) Incidence

The Bounty is payable on equipment produced in Australia.

(c) Amount

Period	$A'000
1984/85	1,532
1985/86	13,219
1986/87	19,320

(d) Rate of bounty

The bounty is payable to the manufacturer at the rate of 20 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. On 1 July 1986 the product coverage of the Act was extended to include modems and multiplexors.

2. Effect of bounty

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

(b) Statistics

Statistics relating to computer hardware are not separately recorded.

VIII. CULTIVATION MACHINERY AND EQUIPMENT

1. Nature and extent of subsidy

(a) Background and authority

The Subsidy (Cultivation Machinery and Equipment) Act 1986 came into effect on 15 April 1986 and will terminate on 31 December 1990.

(b) Incidence

The Act provides for the payment of bounty on the manufacture of certain cultivation machines and equipment and on cultivation machines and equipment imported before 15 April 1986 but not sold before that date.

(c) Amount of subsidy paid

Year	$A million
1986/87	5.3

(d) Rate of subsidy

The rate of subsidy payable on manufacture is an amount equal to 10 per cent of the sale value of the machine or equipment where it was manufactured before 15 April 1986. In any other case, the rate of subsidy is an amount equal to 10 per cent of the sale value less any subsidy or bounty, paid or payable, on components and 12 per cent of the value for duty of any imported components classified to tariff item 84.24 incorporated in the machine or equipment.

The subsidy payable in respect of any imported machine or equipment is an amount equal to the customs duties that have been paid in respect of that machine or equipment.

2. Effect of subsidy

(a) Trade effects

The subsidy has been designed to reduce the price of a range of equipment used in the rural sector without reducing returns received by local manufacturers of this equipment.

IX. 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 wholemilk 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, authorising 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. The authority was established following an executive decision by the Government.

Commencing with the 1986/87 season new marketing arrangements have operated for the dairy industry. The new arrangements assist the industry by supporting higher domestic prices than would otherwise be the case. However, the level of domestic price support will be progressively reduced to import parity with New Zealand products. The arrangements involve inter-industry and consumer transfers through the imposition of a levy, however, the upper limit of the levy is fixed and the arrangements expire in 1992.

The main provisions of the arrangements are:

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

- supplementary market support payments funded from the product levies continued from the previous scheme which are still being phased out. These supplementary market support payments have the effect of smoothing the transition to the new arrangements. These payments are financed by levies on domestic sales of butter/butteroil and cheddar type cheeses and are paid on all exported dairy products. The levies and hence the payments will be progressively reduced. In the case of cheese the levy will be phased out entirely by 1 July 1989 and the rate for butter will be halved. A review in 1988/89 will consider the future of the butter levy.

- The Government underwrites 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. The products which are underwritten are prescribed by regulation as is the method to be used to determine the underwritten value. By executive decision of the Government, underwriting will be triggered if the actual average export price for a product during a season is less than the underwritten value. Any Government contribution will be paid to the Australian Dairy Corporation to be used to supplement the funds derived from the levy on all milk produced.

The underwriting scheme complements the "potholing" element of the new market arrangements whereby market support payments will be increased if average export prices fall below their underwritten value.

(b) Incidence

The underwritten values which have applied are as follows:

Production period	Whole milk powder	Butter	Cheese[a]	Skim milk powder	Casein
		($A per tonne)			
1981-82	1,655	1,490	835	2,085	1,110
1982-83	1,850	1,575	875	2,155	1,150
1983-84	2,020	1,709	915	2,196	1,269
1984-85	1,885	1,721	846	2,126	1,228
1985-86	1,144	1,279	719	2,001	1,004
1986-87	1,096	1,308	828	2,138	1,175

(a) Types of cheese covered are Cheddar, Stirred Curd, Granular, Colby, Cheedam, Monterex 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 seasons.

In the 1980-81, 1981-82 and 1982-83 seasons, underwritten values were not triggered. (The trigger point is set at 85 per cent of the long-term trend price.) For the 1983-84 season, however, underwritten values for butter and skim milk powder were triggered and for the 1984-85 season, the underwritten value for butter was triggered.

For the 1985-1986 and 1986-87 season, it is not expected that underwritten values will be triggered.

(c) Amount of subsidy paid

The budgetary cost of underwriting prescribed dairy products:

1981-1982 to 1986-1987 ($A '000)

Production period	1981-82	1982-83	1983-84[a]	1984-85[a]	1985-86[a]	1986-87
Butter	nil	nil	8,185	1,007	nil	nil
Cheese	nil	nil	nil	nil	nil	nil
SMP	nil	nil	5,304	nil	nil	nil
Casein	nil	nil	nil	nil	nil	nil
WMP	nil	nil	nil	nil	nil	nil
TOTAL	nil	nil	12,950	2,200	nil	nil

[a] Estimate by Department of Primary Industries and Energy

2. Effect of subsidy

(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.

Major Dairy Exports: (Australian Produce) 1980-81 to 1985-86

(Tonnes)

	Butter	Butteroil and butter concentrate including ghee	Cheese	Casein	Milk preserved, condensed, concentrated, etc.		Milk dried or in powdered form		Milk and ice cream, baby cream		
					Sweetened	Unsweetened	Full cream	Skim	Foods	Mix Tonnes	'000 litres
1980-81	10,805	4,182	54,072	10,490	6,970	7,081	48,221	5,840	13,601	1,110	-
1981-82	5,045	1,683	57,416	9,180	6,449	3,575	43,821	27,569	12,915	62	-
1982-83	7,674	7,876	53,931	10,238	1,327	3,921	35,127	36,400	10,766	65	-
1983-84	22,790	6,960	54,545	10,210	1,743	3,091	29,639	60,620	12,747	511	-
1984-85	21,840	21,288	67,456	7,354	1,528	2,448	31,265	91,314	11,745	481	23*
1985-86	25,073	19,836	66,095	5,319	1,076	3,524	34,818	74,630	11,317	-	38

*From 1 January 1985 recorded in '000 litres

Source: Australian Bureau of Statistics

Manufacture of Dairy Products: 1980-81 to 1985-86

(Tonnes)

	Butter (a)	Cheese (b)	Condensed concentrated and evaporated milk		Milk dried or in powdered form		Infants, invalids and health beverages (d)	Buttermilk	Casein
			Full cream (c)	Skim	Full cream	Skim			
1980-81	79,374	134,801	58,931	20,076	74,842	54,314	29,742	6,610	13,635
1981-82	76,396	153,281	39,080	19,767	59,035	76,498	29,513	5,845	8,154
1982-83	88,338	158,200	33,017	20,184	52,031	89,546	27,709	8,407	11,393
1983-84	111,280	161,094	38,738	20,869	46,683	113,276	31,548	9,864	13,057
1984-85	113,939	159,575	43,913	22,332	46,604	138,229	26,155	10,415	8,321
1985-86	104,900	170,260	30,865	17,917	53,025	115,966	29,337	7,949	6,890

(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, however, sweetened milk excluded in 1985/86

(d) Includes malted milk

Source: Production Bulletin No. 3: Food, Drink and Tobacco Australia, July 1987 (and previous issues). Australian Bureau of Statistics

X. 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 1985 the Government introduced 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 apply to the 1986 to 1990 seasons inclusive.

(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.

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 per cent 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 the 1983 to 1985 seasons' production. No underwriting payment is expected for the 1986 season.

(d) Estimated amount per unit

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

2. Effects 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 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	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	52,800	12,528
1983	75,600	23,540	53,730	10,626
1984	80,710	21,035	59,335	10,960
1985	67,924	25,808	50,134	2,942
1986(p)	87,147	31,147	56,000	N.A.

(a) Season commencing 1 March

(b) Consumption figures do not include imports

(p) Preliminary

N.A. Not available

Source: Australian Dried Fruits Corporation

Imports of Sultanas, Currants and Raisins

	(Tonnes)
1980/81	0.8
1981/82	0.2
1982/83	221.1
1983/84	2,472.9
1984/85	2,782.9
1985/86	2,453.0
11 months ended May 1987	3,693.5

Source: Australian Bureau of Statistics

XI. ELECTRIC MOTORS

1. Nature and extent

(a) Background and authority

The Bounty (Electric Motors) Act 1984 provided for the payment of bounty on certain alternating current, 3 phase, squirrel cage motors with a power rating of less than 38 kW. but not less than 0.746 kW. The Act commenced on 17 July 1984 and terminated on 16 July 1985.

(b) Incidence

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

(c) Amount of bounty paid

	$A'000
1984/85	414
1985/86	200
1986/87	0

The bounty was paid at the rate of $14 per motor. Payments to any one producer were limited to a maximum of $A 300,000 for the duration of the Act.

2. Effect of bounty

The bounty was 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 on long-term assistance arrangements.

XII. FERTILIZERS

1. Nature and extent of subsidy

(a) Background and authority

A subsidy on fertilizers is paid under the Fertilizers Subsidy Act 1986. The Act covers payment of a subsidy on fertilizers containing nitrogenous or phosphatic substances which are sold for use in Australia as a fertilizer. The subsidy is due to end on 30 June 1989.

(b) Incidence

The subsidy is payable on locally produced nitrogenous and phosphatic fertilizers; the benefit of the subsidy is required by law to be passed on to the consumer of the fertilizer.

(c) Amount of subsidy paid

The subsidy commenced on 20 August 1986 and no figures are available yet.

(d) Rate of subsidy

- In respect of nitrogenous fertilizers; $A 20 for each tonne of nitrogen content.
- In respect of phosphatic fertilizers.
- Where phosphorus content is less than 10 per cent; $A 153 per tonne of phosphorus content.
- Where phosphorus content is 10 per cent or more, but less than 15 per cent; $A 163 per tonne of phosphorus content.
- Where phosphorus content is 15 per cent or more; $A 188 per tonne of phosphorus content.

XIII. GRAIN HARVESTERS AND EQUIPMENT

1. Nature and extent of bounty

(a) Background and authority

The Subsidy (Grain Harvesters and Equipment) Act 1985 came into effect on 21 August 1985 and will terminate on 31 December 1990.

(b) Incidence

The Act provides for the payment of bounty on the production of certain grain harvesters and equipment and on harvesters and equipment imported before 21 August 1985 but not sold before that date.

(c) Amount of bounty paid

Year	$A'000
1985/86	5,650.0
1986/87	4,374.8

(d) Rate of bounty

The rate of bounty payable on production is an amount equal to 10 per cent of the sale value of the harvester in cases where the value added to the harvester by the manufacturer is not less than 40 per cent of the sale value. In any other case, and in the case of harvester equipment, the rate of bounty is an amount equal to 20 per cent of the value added by the manufacturer.

The bounty payable in respect of an imported harvester is an amount equal to the customs duties that have been paid in respect of that harvester.

2. Effect of bounty

(a) Trade effects

The bounty enables local manufacturers to be more competitive and to reduce the price to farmers of harvesters produced in Australia. The bounty on harvesters imported before 21 August 1985 but not sold prior to that date enabled importers to sell those machines at a price comparable with machines imported duty-free after 21 August 1985.

(b) Statistics

Relevant statistics are not separately recorded.

XIV. INJECTION MOULDING EQUIPMENT

1. Nature and extent of bounty

(a) Background and authority

The Bounty (Injection Moulding Equipment) Act 1979 came into force on 23 May 1979 and will continue to operate until 9 October 1988.

(b) Incidence

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

(c) Amount of bounty paid

Year	$A'000
1981/82	1,848
1982/83	687
1983/84	748.5
1984/85	579.9
1985/86	507.4
1986/87	330.0

(d) Rate of bounty

The bounty rate was initially 45 per cent of the value added by the manufacturer and was reduced in yearly steps of 10 per cent with 5 per cent being payable in the year commencing 23 May 1983. A temporary additional bounty of 20 per cent was announced in June 1983 and on 10 October 1984 the Government announced that the bounty would be paid at the rate of 20 per cent for two years, and 10 per cent for the two years thereafter. In August 1986 the current bounty rate was reduced to 16 per cent (until 31 October 1986) reducing to 8 per cent thereafter. These arrangements are due to terminate on 31 October 1988.

The total cost of the bounty over the two year period ending 31 October 1988 is limited to $A 800,000.

2. Effect of bounty

(a) Trade effects

The bounty has been designed to enable the Australian industry to restructure and improve its cost effectiveness against imports, without increasing the cost structure of user industries.

XV. METAL WORKING MACHINES AND ROBOTS

1. Nature and extent of bounty

(a) Background and authority

The Bounty (Metal Working Machines and Robots) Act 1985 came into effect on 1 July 1985 and will terminate on 30 June 1991.

It replaced the Bounty (Metal-Working Machine Tools) Act 1978 which had been extended for a year beyond its initial finishing date of 30 June 1984 (pending the Government's consideration of an IAC report on the industry).

(b) Incidence

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

Higher bounties are payable on advanced technology items.

(c) Amount of bounty paid

The amount paid under the 1978 Bounty Scheme in 1986/87 year was for activities undertaken prior to 30 June 1985, was $A 3.394m. The amount paid under the 1985 Scheme in the same year was $A 7.743m.

(d) Rate of bounty

The rates of bounty payments under the new Act are as follows:

(i) From 1 July 1986 to 19 August 1986 high technology machines and parts (e.g. numeric and numeric-computer-controlled machines and flexible manufacturing systems) were bountiable at the rate of 35 per cent of the value added by the manufacturer. From 20 August 1986 to termination of the Act the rate will be 28 per cent of value added.

(ii) Low technology machines and parts (i.e. machines with standard controls), were bountiable at the rate of 25 per cent of value added. From 20 August to termination of the Act the bountiable rate will be 20 per cent of value added.

(iii) Modifications and upgrading activities where the factory cost per machine is not less than $A 20,000 were bountiable at the rate of 25 per cent of value added. From 20 August 1986 to termination of the Act, the rate of bounty is 20 per cent of value added.

2. Effect of bounty

(a) Trade effects

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

(b) Statistics

Relevant statistics are not separately recorded.

XVI. PAPER

1. Nature and extent of bounty

(a) Background and authority

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

(b) Incidence

The Act provided for the payment of a bounty on certain coated and uncoated papers produced at registered premises and sold for use in Australia. The bounty was not payable if the paper was 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-June 1982	623	8,232
1982/83	1,433	19,275
1983/84	1,633	21,222
1984/85	1,567	20,495
1985/86	1,489	20,590
1986/87	726	11,109

(d) Rate of bounty

The rate of bounty was $A 90 per tonne for coated paper and $A 70 per tonne for uncoated paper with a maximum amount payable of $A 2.5 million to all recipients in any one year. In August 1986, all bounty rates were reduced by 20 per cent.

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.

XVII. 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 synthetic fibre yarns.

(c) Amount of bounty paid

Year	$A'000
1982/83	628
1983/84	882
1984/85	1,216
1985/86	1,916
1986/87	1,112

(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 31 December 1988 the rate of bounty is 56 per cent.

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.

XVIII. SHIP REPAIR

1. Nature and extent of bounty

(a) Background and authority

To provide assistance to the Australian ship repair industry, the Government passed the Bounty (Ship Repair) Act 1986. The Act provides for payment of a bounty for repairs to vessels in excess of 6,000 dead weight tonnes which are engaged in overseas trade.

2. Effect of bounty

(a) Trade effects

The bounty enables ship repairers to compete by reducing the cost of repairs to both Australian and foreign vessel owners.

(b) Statistics

The Act has not operated for sufficient length of time to collect relevant statistics.

XIX. 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. The 1980 Act was amended on 6 June 1985 to extend bounty to all local production including ships builts for export and to introduce new registration criteria.

(b) Incidence

Since 6 June 1985, bounty has been payable to shipbuilders in respect of all vessels built meeting the specifications, including vessels for export. The bounty was initially payable at a rate of 22.5 per cent on a "cost of construction" basis. It phased down to a long-term rate of 20 per cent in 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 $A 400,000. The maximum amount of bounty to be paid on ships constructed under the present three-year plan will be $A 144 million. Outlays in 1986/87 were limited to $A 42 million.

(c) Amount of bounty paid

Year	Bounty paid under	
	Ship Construction Bounty Act $A million	Bounty (Ships) Act $A million
1981/82	3.1	23.74
1982/83	0.91	24.88
1983/84	0.04	26.61
1984/85	0.04	28.50
1985/86	0.024	38.74
1986/87	-	42.00

(d) Rate of bounty

Refer to (b) Incidence.

The Industries Assistance Commission is scheduled to report in September 1987 on progress in achieving these objectives to provide a basis for Government consideration of industry assistance arrangements to apply after 1988.

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.

XX. 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 to be sold or disposed of by the producer for use in Australia.

(c) Amount of bounty paid

Year	$A'000
1983/84	7,424.7
1984/85	51,948.8
1985/86	17,954.6
1986/87	26,363.0

(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 currently 13.6 per cent while that for quenched and tempered plate is 16 per cent. There is a limit on the amount of bounty available in a given year for each product type and this currently stands at $A 600,000 for quenched and tempered plate, $A 40,000,000 for cold-rolled sheet and $A 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.

XXI. STEEL PRODUCTS: HIGH ALLOY

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.

On 20 December 1985 the Government announced its decision to amend this Act by introducing separate bounty rate schedules for high alloy bar products and stainless steel flat products to replace the current single schedule covering both products. The necessary legislation was passed in May 1986.

This amendment became necessary because the single bounty rate schedule was not providing an appropriate level of assistance to the two product groups. Under the sliding scale arrangement whereby bounty payments decrease as production increases, the relatively buoyant market for stainless steel flat products was lowering bounty payments to both product groups at a time when the high alloy bar products market was depressed.

When the present bounty arrangements were put in place, both product groups were manufactured by the one company. However, in April 1984 the production of flat and bar products was split between separate companies which meant that the company manufacturing bar products was being disadvantaged by the influence on bounty levels of the relatively strong performance of the stainless steel flat products sector. This amendment is retrospective from 1 July 1985. On 19 August 1986 all bounty rates were reduced by 20 per cent and the maximum rate for both bar and flat products is now 16 per cent.

(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 Mill Products) Act 1983. It is paid on the local manufacture of these products providing they are sold for use in Australia.

(c) Amount of bounty paid

Year	$A'000
1983/84	1,523
1984/85	1,653
1985/86	3,125
1986/87	6,875

(d) Rate of bounty

The maximum bounty rate is 16 per cent 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 relevant sector's sales in the domestic market, in a given quarter, increase with no bounty payable above a prescribed tonnage. There was a limit on the available bounty of $A 9,000,000 in any twelve-month period. Following amendment of the Act, the limit on bounty payments for bar products and stainless flat products is $A 3.28 million and $A 5.72 million, respectively. Both the limit and bounty rates may be varied by regulation.

3. 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.

XXII. SUGAR

1. Nature and extent of subsidy

(a) Background and authority

There are two separate measures. One consists of a rebate funded by the Australian sugar industry for exports of (approved) sugar containing products. The other is a programme for Government emergency and adjustment assistance. This assistance is known as the Sugar Industry Plan.

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.

In addition, as a short-term measure, it was announced in the 1986/87 Budget that following agreement with the Queensland and New South Wales Governments, the Commonwealth will provide assistance to the sugar industry of up to $A 100 million over the three years to 1988/89 ($A 22.6 million in 1986/87). This is part of a package of assistance measures for the industry to be funded by the Commonwealth and the two States on a $A 2 for $A 1 cost-sharing basis. Up to $45 million is available to support No. 1 Sugar Pool returns up to a maximum of $A 230 per tonne for the 1987/88 season. (Each season's price support will be paid in the financial year following closure of the relevant Pool.) In 1986/87 the Commonwealth provided $A 14.6 million for price support relating to the 1985 season. Given some increases in returns following a lift in world prices no support is required in respect of the 1986 season and none is expected to be required for the 1987 season. The price support element of the plan is designed to provide the industry with a degree of confidence which will facilitate the adjustment and deregulation measures which need to be taken to improve international competitiveness.

(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 approved products according to the sugar content of those products.

(c) Amount of subsidy paid

Year	$A'000
1981/82	30
1982/83	1,295
1983/84	1,400
1984/85	2,621
1985/86	2,521
1986/87	2,584

(d) Estimated amount per unit

Rebates are declared monthly and paid regularly on the basis of approved applications. The rebate for August 1987 was $A 205.60 per tonne.

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 and Exports

('000 Tonnes - [illegible] Value 96^{o})

Year	Production	Consumption	Exports
1982	3,652.2	782.7	2,503.8
1983	3,256.3	759.8	2,425.3
1984	3,626.5	749.5	2,590.6
1985	3,438.5	764.4	2,651.4
1986	3,438.7(p)	817.8(p)	2,709.9(p)

(p) Preliminary

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

XXIII. 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 superseded 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

Year	$A'000
1982/83	66,706
1983/84	73,488
1984/85	82,674
1985/86	84,213
1986/87	82,456

(d) Rate of bounty

The bounty is payable to persons performing eligible processes in production of bountiable yarns, as percentages of value added. From 1 January 1982 to 19 August 1986 percentages of value added varied form 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. From 20 August 1986 to 31 December 1988 percentages of value added varies from 47.2 per cent for continuous polyamide and polyester yarns down to 26.4 per cent for discontinuous coarse acrylic yarns man-made fibre and wool blend yarns used for carpets etc.

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.

XXIV. TOBACCO

1. Nature and extent of subsidy

(a) Background and authority

Domestic marketing arrangements operate under an agreement between the Commonwealth and State Governments. These have operated since 1965 under a series of stabilisation plans, under which reserve prices are set for flue-cured tobacco leaf.

(b) Incidence

The amount of Australian flue-cured leaf which can be marketed is limited by annual leaf marketing quotas and the sale of this leaf at minimum average prices (set by a grade and prices schedule) is facilitated by a local content scheme for tobacco products. Under the scheme, domestic manufacturers obtain concessional by-law entry for unmanufactured tobacco imports, conditional on manufactured products containing a minimum of 50 per cent of Australian leaf. This statutory percentage usage is bound under GATT. By agreement, manufacturers in 1977 increased their percentage use of Australian leaf to 57 per cent.

The national marketing quota and minimum average price are set annually in line with consumption and world tobacco price trends.

(c) National producer transfer

Year	$A'000
1982/83	23.4
1983/84	25.7
1984/85	17.1

Source: Industries Assistance Commission (1987).

The Industries Assistance Commission is scheduled to report in September 1987 on progress in achieving the objectives of the Tobacco Stabilisation Plan (see below) to provide a basis for Government consideration of industry assistance arrangements to apply after 1988.

2. Effect of subsidy

(a) Domestic effects

The arrangements under earlier Stabilisation Plans led to a number of inefficiencies such as a less than optimal location and size of tobacco farms and marketing rigidities associated with quotas. The current Stablisation Plan (1984-88) is designed to encourage greater efficiency in the industry, to move it closer to international competitiveness and thus ensure reduced levels of assistance. Key features of the plan are to reduce the gap between Australian and international prices for tobacco leaf, to improve the quality of locally grown leaf, to encourage production in the most suitable areas and to bring manufacturers' stocks of leaf down to thirteen months supply, in line with consumption and maturity requirements.

(b) Trade effects

Under the present marketing arrangements, imports of leaf account for 43 per cent of manufacturer's requirements and nearly all enter Australia at a concessional by-law rate of tariff of $A 0.47 per kg. (equivalent to 8 per cent ad valorem) compared with a general rate of $A 1.42 per kg.

(c) Statistics

Australia - Unmanufactured Tobacco

(Quota, Imports and Consumption)

Year	National marketing quota - offered and sold (m kg.)(a)	Imports (m kg.)(a)	Consumption (m kg.)(a)
1983	13.59	10.51	23.47
1984	12.71	10.83	23.38
1985	11.74	10.12	23.56
1986	11.62	10.48	23.20

(a) Dry weight

Note: Quota and consumption on calendar year basis, imports on fiscal year basis

XXV. TWO-STROKE ENGINES

1. Nature and extent of bounty

(a) Background and authority

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

(b) Incidence

The bounty was payable on the production of certain two-stroke enginess at registered premises in Australia providing the engines were used by the manufacturer in Australia, or sold or otherwise disposed of to another person for use in Australia. There was an upper limit of $A 1.2 million available for payment each year and the total maximum outlay under this bounty scheme was $A 2.4 million over the two years of operation. To be eligible for payment, the Australian factory cost of the engine had to be at least 55 per cent of total factory cost.

(c) Amount of bounty paid

Year	$A'000
1984/85	*1,422
1985/86	785

*Figure exceeds $A 1.2 million because payment made in different twelve-months period from reporting year - July/June.

(d) Rate of bounty

The bounty was paid at the rate of $A 6 per engine.

2. Effect of bounty

The bounty was only a temporary measure. It enabled the Government to immediately reduce the duty on imported engines from 35 per cent to 25 per cent thus lowering the cost to users of such goods. Assistance to local manufacturers has been reduced to only 25 per cent duty at the expiry of the bounty on 11 January 1986.