

**GENERAL AGREEMENT
ON TARIFFS AND TRADE**

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TRADE POLICY REVIEW MECHANISM

AUSTRALIA

MINUTES OF MEETING

Addendum

Answers to Written Questions

The following communication has been received from the Government of Australia, responding to written questions submitted by delegations of Canada, the European Communities, Japan, and the Nordic countries to the Council meeting on the Trade Policy Review of Australia.

TRADE POLICY REVIEW OF AUSTRALIA

FOREIGN DIRECT INVESTMENT

Question 1

Does Australia plan to review its approval system on direct investment, and will it be amended to include a stipulation of clearer approval standards?

Reply

Australia welcomes foreign investment and recognizes the substantial contribution it has made, and can continue to make, to the development of Australia's industries and resources. Australia's foreign investment policy is liberal and transparent. Restrictions are applied in only a few areas. In the majority of industry sectors smaller proposals are exempt and larger proposals are approved unless judged contrary to the national interest. Investors can expect that approval will not be withheld from proposals on national interest grounds other than in circumstances affecting Australia's vital interests and development.

There are no plans to review Australia's foreign investment policy guidelines or specify the criteria which might be taken into account in applying the national interest test.

Question 2

The Secretariat document indicates the existence of a 25 per cent limit for foreign investment in mass circulation newspapers. Are newspapers with a circulation of a few ten thousand copies and a geographically limited distribution outside the large urban centres considered mass newspapers?

Reply

Mass circulation refers to coverage and not necessarily the number of copies printed. That is, mass circulation papers are widely available within the target circulation area.

AUSTRALIAN WHEAT BOARD

Question 1

What is the time schedule for elimination of the statutory monopoly of the AWB on Australian wheat exports following conclusion of the Uruguay Round?

Reply

Refer to the Australian Government Report. At this stage the Government does not have a timetable for a review of the arrangement. The arrangement is considered to be the most effective mechanism for countering the aggressive use of subsidies by both the U.S. and the EC. Although negotiations in the Uruguay Round have concluded, implementation does not commence until 1995 and it will be many years before the impact of the Round on wheat markets can be assessed.

EXCISE TAX ON SPIRITS AND BEER

Question 1

What progress has been made towards the introduction of a single excise tax (and excise equivalent component) applied to spirits and beer?

Reply

Changes in the structure of excise duty application is a budgetary matter. No changes were made in the most recent (1993) Budget.

STANDARDS

Question 1

Will the proposal for standard drinks labelling contribute greatly to the objective of public health education?

Reply

Research findings and other informed opinion strongly suggests that this method of labelling would further the objectives of public health and safety by more adequately informing consumers of the alcohol content of beverages than existing or other methods. Public education about standard drinks is planned to link this content information with other strategies to inform consumers how to utilize this information to maximize the public health benefit of this initiative.

SPIRITS

Question 1

What is Australia's preferred schedule for implementation of the 'zero for zero' treatment of spirit tariffs?

Reply

The preferred schedule for implementation of the 'zero for zero' treatment of spirit tariffs is a five year phase in from 1 January 1995.

STATE ASSISTANCE

Question 1

What amount of assistance is provided to exporters by the States?

Reply

No figures are available for the assistance provided to exporters by the State Governments. The assistance involved, however, is generally very small.

DRIED VINE FRUIT

Question 1

Can Australia confirm that the price guarantee scheme for dried vine fruit has been eliminated in 1993.

Reply

There is no price guarantee scheme for dried vine fruit. Australia has, however, operated an underwriting scheme. The underwriting scheme has not been triggered for twelve years.

Following the review of dried vine fruit marketing arrangements in 1990, the Government extended the underwriting scheme until the end of the 1993 season. The scheme has been terminated, however, it will apply to 1993 fruit which may continue to be sold during 1994-95. It is not expected to be triggered during this time.

COAL

Question 1

Australia considers that its coal sales abroad are hindered by foreign support policies. How does Australia appreciate the outcome of the Uruguay Round negotiations in this area for its exports to the EC?

Reply

The agreement in the Uruguay Round with the EC on coal is considered a major step forward. However, significant levels of subsidized coal production within the EC will remain for some time. The key future step is to achieve accelerated reduction in subsidized European coal.

MARITIME IN A TRANS-TASMAN CONTEXT

Question 1

Mention is made in the Government report of the industrial relations accord between the Government and the trade union movement. A point to be raised in this context is the existence of a longstanding agreement between the Maritime Trade Unions in Australia and New Zealand which in practice excludes foreign competition in an international shipping market between the two countries in spite of the fact that the agreement appears to run counter to legislation in both Australia (Trade Practices Act) and New Zealand (Employment Contract Act). It would be much appreciated if the apparent anachronism could be commented on and some indication given as to the likelihood of action being taken by Australian authorities in this matter.

Reply

The trans-Tasman shipping trade was subject to an extensive review in 1992, jointly undertaken with the NZ Government in conjunction with the full review of the Closer Economic Relations Trade Agreement.

In a joint statement issued in Wellington in 1992, both governments indicated that they are fully committed to open competition in all international shipping trades, including the trans-Tasman trade.

Both governments reaffirmed that they do not in any way support the accord between maritime unions. They are also satisfied that the existing legal mechanisms provide appropriate legal remedies if industrial action is taken in support of the Accord.

There are no government regulations in either Australia or New Zealand preventing the entry of foreign flag ships into the trans-Tasman trade. Whether or not foreign operators choose to enter the trade and whether or not shippers choose to use those services are matters for their commercial judgement. Two foreign lines, the Australian New Zealand Direct Line (ANZDL) and P&O are lifting trans-Tasman cargo.

SHIPPING - TRADE PRACTICES ACT

Question 1

We would like to point to the review of the Trade Practices Act and especially Part X of this Act which regulates shipping companies' scope for co-operation in liner conferences. Can Australia give an indication as to the conclusions likely to be drawn from the review in this area?

Reply

The Transport Minister, Mr. Laurie Brereton, released the report of the Review into Part X of the Trade Practices Act on 31 January 1994. The report on Liner Shipping Cargoes and Conferences follows an extensive investigation into Australia's liner shipping services by an independent panel.

The Minister has announced that "There are a number of recommendation in the report that will need to be considered carefully before the Government decides on the future regulation of Australia's liner services. The Government would consider the recommendations and any public reaction to the review before making a decision later this year". It is not possible to indicate what conclusions may be drawn from this review.

In the interests of transparency, the review has been published and is publicly available from the Federal Department of Transport.

CHEESE TARIFF QUOTAS

Question 1

With regard to the tariff quota on cheese, is there a possibility of it being increased or even abolished altogether?

Reply

The tariff quota provides for up to 11,500 tonnes to be imported at a rate of duty of \$A 96/tonne. Imports above that level attract duty at the rate of \$A 2,100/tonne.

The tariff quota amount represents 7.5 per cent of domestic consumption, based on 1991/92 figures. In addition, there are significant imports of cheese from New Zealand which are exempt from the tariff quota arrangements under the CER free trade agreement.

Imports since 1987 have always been less than the 11,500 tonne tariff quota, indicating that it does not act as a significant import barrier. As part of the outcome of the Uruguay Round, the measures which were in place on cheese imports in 1986 will be tariffed. This will result in maintenance of the existing 11,500 tonne tariff quota at the existing rate of duty, and a reduction in the rate of duty applicable to imports outside the tariff quota.

TOBACCO

Question 1

Does Australia intend to make any changes to the existing local content scheme for tobacco, and is the scheme GATT consistent?

Reply

Imports of manufacturing tobacco are subject to a scheme whereby manufacturers which use a minimum of 50 per cent domestic leaf benefit from a lower concessional rate of duty on imports. While the statutory provisions provide for 50 per cent usage to qualify, manufacturers have voluntarily agreed to use no less than 57 per cent for many years. In Australia's view this scheme is consistent with the GATT, but this question is not a relevant one for the TPRM process.

The scheme was scheduled to be terminated on 1 October 1995. However, in order for Australia to meet its commitments under the Uruguay Round, these arrangements have been tariffied and appear in the Australian agriculture schedule submitted to the Secretariat. The methodology used for tariffication is consistent with the modalities attached to the agriculture text.

STANDARDS - MUTUAL RECOGNITION AGREEMENT

Question 1

What is the current status/expectation with respect to Western Australia and Tasmanian acceptance of the Agreement on Mutual Recognition?

Reply

Tasmania proclaimed legislation giving effect to the Agreement on 1 September 1993 and Western Australia endorsed participation on 27 September 1993. Western Australia is currently drafting legislation.

Question 2

Is the Agreement fully in force among those which have already accepted it and if so are there any product areas where the Australian authorities could point to particular benefits having already accrued?

Reply

The Agreement is fully in force in those States which have accepted it and enacted relevant legislation. It is too early to say in respect of the second part of the question.

Question 3

Is there any difference in treatment between a domestic origin good and an imported good seeking to be admitted for sale into any Australia jurisdiction, within the scope of what is covered by this Agreement?

Reply

No. because the Agreement deals with the 'state of origin' of a good and this is defined as being the State of manufacture of the State into which a good is imported. The place of origin of imported goods is not therefore relevant under the Agreement.

Question 4

Is there any sense yet as to how large a hole is provided by the Agreement's leaving out of its coverage any product areas "where a national market is not considered appropriate, e.g., under genuine quarantine requirements"?

Reply

Mutual recognition arrangements do not apply to certain specified goods. These products would continue to be regulated in each jurisdiction by the laws of that jurisdiction. See the Secretariat's report.

GOVERNMENT PROCUREMENT

Question 1

Please confirm that the information in document C/RM/S/43 remains correct and provide an indication as to whether there are any efforts to try to bring other States and Territories around to the same practice.

Reply

The information in the Secretariat's report remains correct.

Jurisdictional responsibility for any preference arrangements in the States and Territories is a matter for the respective State and Territory Governments.

Question 2

Please indicate the extent to which (if at all) such provisions apply to municipal level procurement.

Reply

State legislation covering local government activities generally does not have provisions requiring imposition of preference margins. Individual municipalities may, however, still adopt preferences for local suppliers. In addition, under state law in Victoria, a council, where practicable, must give effective and substantial preference to goods and services manufactured or produced in Australia.

Question 3

What ramifications are the two ongoing inquiries at the Commonwealth level likely to have on Commonwealth Government purchasing policy?

Reply

The situation is as follows:

Current Commonwealth Purchasing Policy

In 1989 when announcing reforms to purchasing, the Government made it clear that the prime objective of Commonwealth procurement was to support government programmes through obtaining value for money in the acquisition of supplies. Open and effective competition was to be the central operating principle of the Commonwealth procurement system and the basis for achieving the overall objective of value for money. With the announcement of the purchasing reforms in 1989, the Government adopted the current ANZ supplies policy which is explained in some detail in Commonwealth Procurement Guideline 12. The aim of the policy is to maximize opportunities for ANZ suppliers to compete for Commonwealth business on the basis of value for money.

Parliamentary Committee Inquiry

On 20 August 1992 the then Minister for Administrative Services requested the House of Representative Standing Committee on Industry, Science and Technology to inquire into the Commonwealth Government's purchasing policies.

The Committee went out of existence and the Inquiry lapsed when the Parliament was dissolved before the federal election last year. When the new Parliament met the Committee was reconvened with Mr. Arch Bevis, MHR for Brisbane as chair.

On 24 November 1993 the Committee released an issues paper based upon the evidence it had received at that time. The intention of the Committee was that the issues paper would encourage comment and suggestions concerning how the issues should be addressed. We understand the Committee intends to publish a final report within the next couple of months.

Purchasing Review Task Force

On 27 October 1993 the Minister for the Arts and Administrative Services announced the establishment of a Purchasing Review Task Force within his Department to critically examine the current policies and procedures applying to Commonwealth purchasing. The work of the Task Force is being made available to the Parliamentary Committee chaired by Mr. Bevis, which is reviewing government purchasing, as well as to the Minister for Industry, Technology and Regional Development.

On 27 January 1994 Senator McMullan, the Minister for the Arts and Administrative Services, publicly released the Report of the Task Force. The Minister said ... "A number of options still need further study and consultation by other interested groups"... "I do not propose to determine a final view solely on the basis of this report, but will consider it in the context of the report of the Parliamentary Committee chaired by Arch Bevis which is examining government purchasing." ... "I will be considering the whole range of issues involving purchasing very carefully over the next two to three months to ensure the development of an effective purchasing policy which balances local industry needs and efficient use of taxpayers' money."

R&D SUPPORTQuestion 1

Can Australia provide further details of Australia's experience with the 150 per cent tax deduction for R&D?

Reply

Estimates of taxation revenue foregone as a result of the tax concession at current prices:

1987/88	1988/89	1989/90	1990/91	1991/92	1992/93
\$A 147 m	\$A 192 m	\$A 249 m	\$A 287 m	\$A 369 m	\$A 386 m

The Bureau of Industry Economics in its 1993 report on the concession (R&D, Innovation and Competitiveness) concluded that "the tax concession has played a rôle in increasing the (Australian) BERD/GDP ratio, though other factors have been important. The tax concession appears to have induced an additional 10 to 17 per cent of BERD (since its introduction)".

On the basis of its survey of tax concession registrants, the BIE also concluded that "the concession clearly contributes to increased innovativeness and is likely to contribute to increased international competitiveness (by Australian companies)".

Note: BERD = Business Expenditure and Research Development.

Question 2

Although from the Secretariat's report it appears that the Partnerships for Development and the Industry Development Arrangements are more-or-less non-binding, we would be interested to know if they have resulted in incremental changes to company behaviour in respect of R&D expenditures.

Reply

PfD and IDA appear to have resulted in incremental changes to company behaviour in respect of R&D expenditures by regular increases over a five-year period. By the end of this period 22 partnerships had been attained.

1988	1989	1990	1991	1992
\$A 83 m	\$A 145 m	\$A 228 m	\$A 260 m	\$A 286 m