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LEGISLATIVE RESEARCH SERVICE
DEPARTMENT OF THE PARLIAMENTARY LIBRARY

BOUNTIES BILL 1986

Date introduced: 8 May 1986
House: House of Representatives
Presented by: Hon. Barry Jones, M.P.,
Minister for Science

DIGEST OF BILL

Purpose

To enable bounty schemes to be introduced by Ministerial Gazette Notices and to standardise the administrative provisions for new bounty schemes.

Background

A bounty involves the payment of money by the government to a domestic producer and encourages domestic production. When provided to import-competing industries, bounty assistance places domestic producers in a better position to meet competition from imports and therefore has many of the same effects as tariffs.[1] However, bounties produce less distortionary effects, particularly as regards the final price, than tariffs.

Bounty assistance to Australian industry has increased over recent years. In 1985-86 it is estimated that the total outlay on industry assistance and development will be \$1256 million.[2] Of this amount, however, only \$263.5 million or approximately 27 % will be allocated by bounty assistance.[3] Other industry assistance is provided by non-budgetary means, such as tariffs, quantitative import restrictions, local content schemes and price stabilisation measures.

Most of the products subject to bounty assistance are intermediate or capital goods. There are 18 bounty schemes currently in operation, covering such products as tractors, injection moulding equipment, metal-working machine tools, computers, paper, books and bed sheeting.

Tariff changes can be effected immediately under the Customs Tariff Act 1982 by means of Ministerial Gazette Notices, whereas each of the bounty schemes is contained in a separate piece of legislation requiring an Act of Parliament to implement changes. The requirement for an Act of Parliament to introduce a bounty scheme inevitably leads to delays in the introduction of such schemes. A number of months usually pass between the announcement of a bounty scheme and its introduction. This Bill will bring the mechanism for introducing bounty schemes in line with those for changing tariffs.

Main Provisions

For a detailed analysis of the clauses of this Bill refer to the explanatory memorandum.

Part II of the Bill (clauses 6 to 11) deals with Bounty Notices.

The Minister will be able to publish notices in the Gazette of a bounty scheme and a bounty will be payable from the day specified in the scheme, but not a day more than 6 months before the notice was Gazetted (clause 6). Bounties will become payable in accordance with the scheme in the notice unless the scheme has been modified by regulations (clause 7). Regulations will only be able to modify the scheme in the manner listed in clause 8. These include regulations to extend a scheme for up to 6 months, vary the amount payable, vary the way the bounty is to be calculated or vary the definition of the goods in the scheme. Regulations will not be able to vary schemes to the extent that the type of goods bountiable are no longer similar to the goods specified in the scheme, nor can a variation by regulation be inconsistent with the purpose of the scheme (sub-clauses 8(4) and 8(5)).

The Minister may revoke a bounty notice by a notice published in the Gazette (clause 9). Parliament will be able to scrutinise and disallow both bounty notices and revocation notices (clause 10). Clause 11 sets out the effects of a disallowance.

Part III of the Bill (clauses 12 to 39) deals with Bounty Schemes.

A bounty will not be payable where the Comptroller has declared that goods are not of good and merchantable quality (clause 12). The Commonwealth and States will

generally not be permitted to receive bounty assistance (clause 13). Where a bounty is payable under an Act, a further bounty under a scheme will not generally be payable (clause 14).

A bounty scheme will have to specify:

- the goods to which the scheme applies (clause 15)
- the person to whom the bounty is payable (clause 16)
- the period to which the scheme applies (clause 17)
- the time the bounty becomes payable (clause 18)
- the rate of the bounty and how the amount of the bounty will be calculated (clause 19).

Clause 20 provides that bounty schemes may also contain other conditions.

The Bill provides explanations of a number of accounting terms which may appear in bounty schemes particularly in reference to the calculation of the amount of a bounty:

- 'factory cost' is defined to include such things as overheads, cost of materials and salaries (clause 22);
- the definition of 'value added' depends on a formulation of factory cost less the total cost of materials, processing and interest on money borrowed to finance overseas research (clause 23);
- the definition of 'sales derived value added factory cost' depends on a formulation of sales value less the total cost of delivery, administration, material and processing costs (clause 24); and

- . 'sales value' is the price charged for the goods by the producer (clause 25).

Where the 'value added', 'sales derived value added' or 'sales value' cannot be verified or the Comptroller is satisfied that it is incorrect, the Comptroller will be able to determine the amount (sub-clauses 23(3), 24(3) and 25(3)).

A producer will be required to supply to the Comptroller details of 'factory cost', 'value added' and 'sales derived value added factory cost' (clause 30). The Comptroller may require that the details supplied be certified to be correct by a qualified accountant approved by the Comptroller (sub-clause 30(3)). Clause 30 also provides penalties for failure to supply information and providing false information.

The Comptroller will have a broad discretionary power to demand the return of over-payments (clause 32). The Comptroller will, subject to the regulations, be able to defer payments or determine the order of payment where the moneys available under a scheme will be insufficient to meet all claims in full (clause 33).

Clauses 37 and 38 provide for the registration of premises and persons for the purpose of bounty schemes which contain a reference to premises or persons registered for the purpose of the scheme.

A person will not be entitled to a bounty unless decipherable and accurate accounts are kept relating to the bountiable goods (clause 38). The Comptroller will be able to ask a person who is applying for a bounty for security (clause 39).

Part IV of the Bill (clauses 40 to 48) deals with the administration of Bounty Schemes.

The Comptroller will be able to appoint authorised officers who will have power to;

- . enter registered premises and inspect or make copies of books, accounts, documents and other records (clause 41);
- . enter unregistered premises (clause 42);

- . require people to attend before an authorised officer and answer questions and produce documents (clause 43);
- . examine people on oath (clause 44).

Failure to comply with an authorised officer's requests will render a person liable to a \$1000 fine or 6 months imprisonment or both (in the case of a corporation a \$5000 fine) (sub-clause 45(1)). The penalty for wrongly obtaining a bounty will be a \$10 000 fine or 5 years imprisonment, or both, for a person and a \$50 000 fine for a corporation (sub-clause 45(2)). In addition to the penalty the Commonwealth will be able to seek to recover the amount of the bounty wrongfully obtained (clause 47).

At the end of the financial year the Comptroller will have to prepare a return for the Minister setting out the names and address of all people receiving a bounty and the amount of bounty and the return will have to be laid before both Houses of Parliament (clause 50).

Clause 52 provides for decisions of the Comptroller to be reviewed by the Administrative Appeals Tribunal.

For further information, if required, contact the Economics and Commerce Group.

Bills Digest Service
LEGISLATIVE RESEARCH SERVICE

4 June 1986

References

1. Industries Assistance Commission Bounty Assistance to Australian Industry, AGPS, 1984, p.1.
2. Budget Papers 1985-86, p.396.
3. Ibid., pp.237-42.

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