Date introduced: 22 October 1986
House: Senate
Presented by: Senator the Hon. John Button, Minister for Industry, Technology and Commerce

DIGEST OF BILL

Purpose

To provide for the payment of a subsidy for the production of cultivation machines and equipment.

Background

The production of various kinds of agricultural and horticultural machinery used for soil preparation or cultivation is currently assisted by a 15 per cent tariff duty. Australian produced agricultural tractors have been assisted by bounty for some time and, in the 1985-86 Budget, the tariff on grain harvesters was replaced with a bounty. On 15 April 1986, the Minister for Primary Industry delivered a statement on the Government’s Economic and Rural Policy, announcing that the tariffs on agricultural and horticultural machinery for soil preparation and cultivation would be replaced with a bounty providing equivalent assistance[1]. On the same day, the Minister for Industry, Technology and Commerce requested the Industries Assistance Commission (IAC) to advise on the appropriate level of bounty, to become applicable from that date.

In its Report on Cultivation Machinery, dated 16 June 1986, the IAC recommended that the bounty be 12.5 per cent of the ex-factory selling price, less any bounty paid on domestically produced parts and 15 per cent of the value duty of any imported parts incorporated into the bountiable product[2].

While stating that it accepted, in principle, the findings of the IAC, the Government has, in line with its
general decision in the 1986-87 Budget to reduce the rates of most production bounty assistance schemes\[3\], reduced the rates of subsidy for this scheme by 20 per cent. In the Budget, the Government estimated that outlays for this assistance will be $16.8 million\[4\].

Main Provisions

For a detailed analysis of the provisions of the Bill, refer to the Explanatory Memorandum.

The Bill will be deemed to have come into operation on 15 April 1986 (clause 2).

Clause 4 contains the interpretation provisions. Amongst the more important definitions are: "subsidy period" which will run from 15 April 1986 to 31 December 1990 or a date determined by the Minister that is no later than 30 June 1991; "subsidised cultivation machine" which will be a completely assembled machine used for the tillage, cultivation and preparation of soil, or for seeding, planting or fertilizing plants; "subsidised cultivation equipment" which will be a part or accessory for a subsidised cultivation machine; and "subsidised equipment" which will include the latter two definitions.

Clause 6 will contain the formula for calculating 'sales value' which will depend on the price that was or will be charged by a manufacturer to a dealer; the freight cost for delivery from the premises where the last substantial manufacturing process was carried out; and any other costs prescribed by regulation.

Where the price charged by the manufacturer is higher than normal due to a relationship other than that arising from the sale itself, or the Comptroller-General is unable to ascertain or vary the sales value, the Comptroller-General will be empowered to determine the sales value of the equipment (sub-clause 6(4)), having regard to the lowest price charged by other manufacturers or importers for comparable equipment (sub-clause 6(5)).

Clause 8 will require any subsidy that is a bounty to be uniform throughout the Commonwealth.

The subsidy will be payable to the manufacturer or manufacturers of subsidised equipment on its production in Australia (sub-clauses 9(1) and 9(2)). All the
manufacturing processes, including the last substantial process, must have been carried out at registered premises (proposed requirements for registration being set out in clause 23). Manufacture must have been completed during the subsidy period using only components and materials that have been neither used before in other equipment nor re-conditioned nor rebuilt (sub-clause 9(3)). The subsidy will not be payable unless, during the subsidy period, the machine was sold or otherwise disposed of to the Commonwealth or for use in Australia or was prepared for sale by the manufacturer, held in stock and listed in the stock inventory (sub-clause 9(4)) or, for subsidised cultivation equipment, the equipment was used by the manufacturer in Australia in connection with the repair or servicing of subsidised equipment (sub-clause 9(6)). A manufacturer of subsidised cultivation equipment will not be entitled to subsidy if the equipment was, or is intended to be, used in the manufacture of a subsidised cultivation machine by that manufacturer (sub-clause 9(7)).

Subsidy will be payable to the importer of subsidised equipment imported into Australia and entered for home consumption in accordance with the Customs Act 1901 before 15 April 1986 (sub-clauses 10(1) and 10(2)). Payment of the subsidy will be subject to conditions similar to those imposed by sub-clause 9(4) (sub-clause 10(3)).

The Commonwealth, States, Territories and their authorities will not be eligible for subsidy (sub-clause 11(1)), nor will subsidy be payable on equipment for which bounty has or will become payable under the Subsidy (Grain Harvesters and Equipment) Act 1985 (sub-clause 11(2)).

The rate of subsidy payable for subsidised equipment manufactured on or after 15 April 1986 (clause 12) will be an amount equal to 10 per cent of the sales value less:

- the amount of any subsidy, or any bounty or subsidy under another Act paid or payable for parts or equipment incorporated in the subsidised equipment; and
- an amount equal to 12 per cent of the value for notional tariff duty payable on any imported parts or equipment incorporated in the subsidised equipment.
The amount of subsidy payable to the importer of subsidised equipment imported before 15 April 1986 and sold or otherwise disposed of after that date will be equal to the net amount of Customs duty paid (clause 13).

A claim may not be made for an amount of subsidy that is less than either $200 or an amount prescribed by regulation (sub-clause 17(2)).

Clause 23 will provide that premises used solely or principally for industrial or commercial purposes may be registered on application to the Comptroller General of Customs (sub-clauses 23(1) and 23(2)). The Comptroller-General will not register premises where the manufacture of subsidised equipment was not being carried out by the applicant on 15 April 1986 if, on the Minister's advice, registration would not permit the orderly development of the Australian cultivation machinery and equipment manufacturing industry (sub-clause 23(8)).

The Governor-General will be empowered to make regulations (clause 39).

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

References

4. Ibid., p.208.
This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.

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