Bounty (Ships) Bill 1989

Date Introduced: 5 April 1989
House: House of Representatives
Presented by: The Hon. Barry Jones, M.P., Minister for Science, Customs and Small Business

Digest of Bill

Purpose
To provide for bounty assistance to the shipbuilding industry for the period 1 July 1989 to 30 June 1995.

Background
The Australian ship and boat building industry is small by world standards and in comparison with other Australian manufacturing activities. Since 1980, following closure of facilities at Whyalla and Newcastle, Australia no longer has the capacity to produce large international trading vessels. In 1984-85 the number of vessels produced of 50 tonnes and over was 34; for vessels of 5 to less than 50 tonnes, 46; and vessels of less than 5 tonnes, 17,975.

Sales of vessels of 50 tonnes or more (including export sales) increased from $80 million in 1980-81 to $159 million in 1984-85, an increase of approximately 100% over a four year period. The Australian shipbuilding industry is likely to continue to expand with planned defence contracts of about $10 billion over the next 15 years. A high share of this work will be performed in Australia. In addition, refits, modifications and maintenance to existing naval craft of approximately $500 million are expected over the next five years.

Under the Bounty (Ships) Act 1980, a bounty is payable on the construction or modification in Australia of vessels exceeding 150 gross construction tonnes (gct) and commercial fishing vessels exceeding 150 gct or 21 metres. The bounty is based on the cost of construction or modification of a vessel. Modifications and construction of prescribed vessels (i.e. tugs, bulk carriers, rig servicing and fishing vessels) commenced after 1 January 1988 are bountiable at 20% and others at 15% of the cost of construction. Modifications to bountiable vessels are eligible for bounty where the cost of modifications exceeds $400,000. Builders of vessels are required to apply to the Australian Customs Service to reserve an allocation of bounty funds and these are distributed progressively to the builder during the construction of the vessel. In July 1986, a limit of $144 million was placed on the total funds distributable under the Bounty (Ships) Act 1980 in respect of vessels completed by 1 July 1989. As of the end of March 1988, all of the $144 million had been distributed or reserved.
In June 1988, the Industries Assistance Commission (the Commission) issued its report on 'Ships, Boats and Other Vessels'. The Commission had been asked to inquire and report on initiatives which could be taken by government or by the industry itself; whether assistance should be accorded to the industry; and the characteristics or factors likely to affect the industry's development, competitiveness and export performance. The general thrust of the Commission's report was that the existing bounty arrangements involve a high degree of regulation, do not encourage efficient use of resources and do not contribute to a 'predictable assistance environment'. The Commission proposed that in respect of bounty assistance for vessels for the domestic market, the bounty rate for modifications and for construction for prescribed vessels be set at 19% of modification or construction costs, and be reduced by 1% each 1 July until the bounty rate of 15% is reached on 1 July 1992. The Commission also recommended that the bounty rate for non-prescribed vessels should be retained at 15%.  

Subsequent to the Commission's Report, the Minister for Industry, Technology and Commerce on 28 November 1988 announced details of new shipbuilding assistance measures. The main features of the new bounty arrangements, to commence on 1 July 1989, include assistance to be phased down from 15% to 5% in three steps by 30 June 1995, with assistance payments being determined on contract costs incurred during a particular period rather than the total cost of the vessel; special provisions will no longer apply for commercial fishing vessels and the bounty will apply to all vessels greater than 150 and less than 10,000 gct regardless of end use, except where ships are sold in New Zealand; the minimum level to apply before modifications to vessels become bountiable will be $1 million; and only self-propelled navigable vessels will attract bounty.

In the explanatory memorandum to the Bill, it is estimated that the cost of the proposed bounty scheme will be $145 million over the life of the scheme.

Main Provisions

The Bill will be deemed to have come into force on 1 July 1989 (clause 2).

'Bountiable vessel' is defined to include a vessel of between 150–10,000 cgt, that is designed for navigation, and is self-propelled. Hovercraft are included in the definition provided they are designed to operate principally upon water (clause 4).

Clause 5 will provide that the costs incurred by a shipbuilder in the construction or modification of a bountiable vessel will include design costs, direct labour costs, direct material costs, subcontracting costs, fitting out costs, costs of trialling, and transportation costs of delivering a completed vessel. The Comptroller will be able to determine the eligible costs where this cannot be ascertained, or where the Comptroller is of the opinion that the stated costs are incorrect (clause 5).
Clause 8 will provide that bounty is payable to registered shipbuilders who incur eligible costs in the construction or modification of bountiable vessels in Australia where the construction or modification is completed between 1 July 1989 and 30 June 1995. A bounty will not be payable in respect of the modification of a vessel unless the costs incurred exceed $1 million.

Clause 9 will provide that bounty will not generally be payable in respect of vessels exported to New Zealand after 1 July 1990, or vessels constructed or modified by or for the Commonwealth or a Commonwealth authority. A bounty will also not be payable where a bounty has been paid under a previous ship bounty scheme.

Clause 10 will provide the rates of bounty payable to a shipbuilder for costs of construction or modification of a bountiable vessel.

* The rate of bounty for eligible costs incurred between 1 July 1989 and 30 June 1991 will be $1.2 \times 15\% \times \text{the eligible costs incurred}.

* The rate of bounty for costs incurred between 1 July 1991 and 30 June 1993 will be $1.2 \times 10\% \times \text{the eligible costs incurred}.

* The rate of bounty for costs incurred between 1 July 1993 and 30 June 1995 will be $1.2 \times 5\% \times \text{the eligible costs incurred}.

The Comptroller may approve advances of bounty. If a shipbuilder receives an advance and bounty subsequently does not become payable, the shipbuilder will be liable to repay the amount received (clause 12).

Clause 14 will provide that where a bounty claimant becomes aware that their claim exceeds $200, they have to lodge an acknowledgement of the excess. The person who lodged the claim will be liable to repay the overpayment. The maximum penalty for breach of this provision will be a fine of $3000.

Clause 17 deals with the registration of shipbuilders, a prerequisite under clause 8 for eligibility for a bounty. To be eligible for registration, a shipbuilder will need to satisfy a number of conditions, including that they are a company; have lodged an auditor’s report verifying the applicant’s capacity to finance the construction or modification of a bountiable vessel and have demonstrated to the satisfaction of the Minister that they have the technical and financial management skills and access to facilities necessary to ensure the successful completion of construction and modification of a bountiable vessel; that at least 75% of the applicant’s activities will be devoted to the construction or modification of vessels of between 150 and 10 000 gct; and that the shipbuilder employs at least 40 persons and at least one apprentice for every eight tradespersons (clause 17).
Clause 19 will allow the Comptroller to request security and where such a request is made the shipbuilder will not be eligible for a bounty unless the requirement is complied with.

Clauses 21 and 22 will allow a Customs Officer to enter premises to check documents etc.

Under clause 23 an authorised officer may request certain people to answer question and produce documents. The maximum penalty for breach of this provision will be a fine of $3000 and or imprisonment of 6 months.

Clause 25 deals with offences. It will be an offence to refuse or fail to attend before a customs officer, or to take an oath or affirmation, or to answer a question or produce an account, book, document or other record when required to under the provisions of this Bill. The maximum penalty for breach of this provision will be a fine of $3000 and or imprisonment of 6 months. It will be an offence for a person to obtain knowingly or attempt to obtain bounty a that is not payable. The maximum penalty for breach of this provision will be a fine of $30 000 and or imprisonment for 5 years. It will be an offence for a person to knowingly or recklessly make statements, orally or in writing, that are false or misleading, or present an account, book or document that is false or misleading. The maximum penalty for breach of this provision will be a fine of $3000 and or imprisonment for 6 months.

Clause 31 will provide for review by the Administrative Appeals Tribunal of certain administrative decisions made by the Minister and the Comptroller, for example, decisions approving payment of bounty or refusing payment of bounty.

References
2. Ibid., pp. 44 and 45.

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

11 April 1989

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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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