Customs Tariff Amendment Bill (No.2)

Date Introduced: 27 April 1988
House: House of Representatives
Presented by: Hon. Barry Jones, M.P., Minister for Science, Customs and Small Business

Digest of Bill

Purpose

To amend the Customs Tariff Act 1987 (the Principal Act). The major changes to be implemented by this Bill relate to changes to assistance arrangements for the passenger motor vehicle industry.

Background

In May 1984 the Minister for Industry & Commerce announced assistance arrangements for the passenger motor vehicle industry (the Plan), for the period from 1 January 1985 to 31 December 1992.\(^1\) The Plan had four central aims. It was to give the industry time to restructure and modernise, to make it more efficient, to hold down the price of motor vehicles, to reduce job losses in the short-term and to provide job stability.\(^2\) Some of the measures that were to be adopted to achieve these aims included: to cut the number of vehicle models from 13 to six or less to improve economies of scale, to establish an automotive industry authority to oversee restructuring, to reduce import restrictions, to provide aid for labour programs within the industry, and to allocate $150 million over a five year period for Australian design and research.\(^3\)

The terms of the Plan provided for a mid-term review of its progress. That review has been carried out by the Automotive Industry Authority (the Authority) in its Report on the State of the Automotive Industry 1987.
The Authority found, among other matters, that progress has been made towards rationalisation of models and manufacturing groups, despite current co-operative arrangements falling short of levels which would yield maximum benefits. For the components sector the Authority found that while substantial rationalisation had been undertaken by the larger specialist component producers, others are yet to show improvement in the efficiency of their operations.

The Authority found that there is currently insufficient competitive pressure on the automotive industry to ensure that the Plan will be achieved within the desired time frame. The review attributes this finding to a number of factors, in particular, the depreciation of the Australian dollar. The review noted, that instead of increased competition from imports, as foreign quota tariff levels decline, Australian industry has been facing a situation where importers are not taking up quota at the current 57.5% base tariff level. The level of imports plays an important role in the Plan as a source of quality and price competition.

The Authority found that although there had been some reduction in the rate of increase in vehicle prices, the current levels remained above those which could induce consumers to purchase vehicles in the numbers achieved in the 1975–1985 period.

The Authority concluded that there were a number of areas where insufficient progress had been made by the passenger motor vehicle industry towards the goals of the Plan, and that future progress may be impeded by the post-1984 assistance arrangements. The Authority has recommended to the Minister for Industry, Technology and Commerce that changes be made to the post-1984 assistance arrangements that currently apply to the passenger motor vehicle industry.

Main Provisions

The amendments to the tariff rates are contained in the Schedule to the Bill. The major amendments are:

- the rate of duty on completely built up motor vehicles will be reduced in phases from 57.5% to 35% by 1 January 1992;
- tariff quotas applicable to passenger motor vehicles are abolished;
- the rate of duty on completely built up light commercial vehicles, completely built-up and completely knocked down four wheel drive vehicles (including amphibious vehicles) will be reduced to 20%, and then reduced in phases to 15% by 1 January 1992;
• the penalty duty for original equipment components not complying with the local content target will be aligned with the completely built-up tariff rates. The penalty duty from 1 January 1989 will be 42.5% and will be reduced to 35% by 1 January 1992;

• the rate of duty on completely knocked down light commercial vehicles and completely knocked down four-wheel-drive vehicles is reduced to 10%;

• insertion after Additional Note 7 to Chapter 87, to provide that the definition of 'assembled' not include goods assembled only to a stage that constitutes a sub-assembly.

References

2. Ibid., p.1.
3. Ibid., pp.1–2.
5. Ibid., pp.52–4.
6. Ibid., p.52.
7. Ibid.
8. Ibid., pp.67–9.

For further information, if required, contact the Law and Government Group.

15 June 1988

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

© Commonwealth of Australia 1988

Except to the extent of the uses permitted under the Copyright Act 1968, no part of this publication may be reproduced or transmitted in any form or by any means, including information storage and retrieval system, without the prior written consent of the Department of the Parliamentary Library. Reproduction is permitted by Members of the Parliament of the Commonwealth in the course of their official duties.