Date Introduced: 22 February 1985
House: House of Representatives
Presented by: Hon. B.O. Jones, M.P., Minister for
Science and Minister Assisting the
Minister for Industry, Technology
and Commerce

Short Digest of Bill

Purpose

To extend the existing bounty assistance to the
heavy commercial vehicle industry in Australia until 30 June
1985 or until the Government's decision on long-term
assistance to this industry is announced.

Background

Since August 1978, heavy commercial motor vehicle
production in Australia has been assisted by a package
comprising three main elements:

- tariffs on imported completely built-up (cbu)
  vehicles and some components:

- by-law entry for original equipment (oe) components
  for use in general purpose vehicles and prime
  movers; and

- bounty assistance for certain locally sourced oe
  components for use in general purpose vehicles and
  prime movers.

The Bounty (Commercial Motor Vehicles) Act 1978, which this
Bill extends, provides bounty assistance to assemblers of
general purpose vehicles and prime movers for their use of
certain locally produced original equipment components. The
bounty is paid at a level of 20 per cent of the into-store
cost to the assembler of the components listed below:

- air brake equipment;

- a hub to hub axle assembly;
- a gearbox with operating devices;
- a propeller shaft assembly;
- a suspension system; or
- a wheel.

Bounty assistance is not available if these components are produced in-house by the assembler, or if the local content is less than 65 per cent.

The Principal Act dictated that bounty payments would terminate on 31 December 1984. On 3 May 1983 the Minister for Industry and Commerce requested that the Industries Assistance Commission (IAC) report on whether assistance should be accorded the production in Australia of heavy commercial motor vehicles and components and, if so, the nature and extent of such assistance. The IAC report no. 343 Heavy Commercial Motor Vehicles, Parts and Accessories was forwarded to the Government on 2 March 1984. The Bill proposes the extension of existing bounty payments until the decision on new long-term assistance arrangements for the industry is finalised.

Main Provisions

Clause 3 provides for the period to which the Principal Act applies to be extended until 30 June 1985. It further provides that the Minister may by notification in the Gazette extend this period until 31 December 1985.

Comments

It is hard to resolve the conflicting objectives of assisting local assembly, limiting the impact of such assistance on users and minimising the impact on the component sector while limiting the budgetary cost of assistance.

The existing bounty arrangements assist assemblers while limiting the impact of such assistance on users. Such assistance does, however, have significant budgetary implications. Further, because the bounty extends to the purchase of a limited number of components, some component producers receive significantly greater assistance than others. Finally, provision of bounty assistance to one section of a motor vehicle industry which in general is
assisted by tariffs and quotas may induce distortions to consumer demand due to the different price effects of these different forms of assistance.

For further information, if required, contact:

5 March 1985

Economics and Commerce Group
LEGISLATIVE RESEARCH SERVICE

Reference

IAC report no. 343 Heavy Commercial Motor Vehicles, Parts and Accessories 29 February 1984.