Bounty (Injection-Moulding Equipment) Amendment Bill 1985

Date Introduced: 20 March 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 continue bounty assistance to the injection-moulding machine industry over the next four years at a rate equal to 20 per cent of value added in the first 2 years and 10 per cent in the final 2 years, with an upper limit of $0.60 per year for the first 2 years and $0.40 per year for the remaining two years.

Background

Injection-moulding is one of several commonly used methods of plastic processing. It involves the shaping of plastic articles by injecting heated material into a mould. Injection-moulding machines are used to produce a wide range of moulded plastic articles such as food and other containers, parts for motor vehicles and medical apparatus.

Four local manufacturers of injection-moulding machines submitted evidence to the Industries Assistance Commission inquiry into the industry in 1975. However, in May 1983, when Johns Consolidated Ltd (which was the largest Australian producer) went into liquidation, Battenfeld (Australia) Pty Ltd became the sole manufacturer of injection-moulding machines in Australia. The company is a wholly owned subsidiary of Battenfeld Maschinenfabriken GMBH of West Germany, a major world manufacturer of injection-moulding machines.

Australian production of injection-moulding machines has been accorded relatively high, though gradually reducing, assistance for many years.

From May 1979, the Government implemented a long term tariff rate of 15 per cent on imports of injection-moulding machinery and parts. This represented a considerable reduction from the previous tariff rate of 55...
per cent. To facilitate restructuring in the industry and to mitigate any adverse consequences of the tariff reduction, phased bounty payments were introduced for a five year period. The bounty payments were initially at 45 per cent of value added, reducing by 10 percentage points every 12 months. The bounty payable under this scheme was due to terminate on 22 May 1984.

In June 1983, the Government announced that an additional bounty of 20 per cent of value added would be paid until further assistance arrangements to the industry were resolved.

That bounty, which this Bill effectively continues, is payable on injection-moulding machinery and parts sold for use in Australia. The value added is calculated by subtracting the cost of materials from the producers' factory cost.

In the 3 years ended 22 May 1982, Johns Consolidated Ltd and Battenfeld (Australia) Pty Ltd received approximately $3.9m and $1.0m respectively under the phasing bounty scheme. Over the same period, six manufacturers of parts for injection-moulding machines received a total of approximately $128,000 in bounty payments. In 1982/83, payments under the Bounty (Injection-moulding Equipment) Act 1979 (the Principal Act) totalled $687,000, of which Johns and Battenfeld received approximately $320,000 each.

At 30 June 1983 Battenfeld's total employment was 82. Its value of sales had increased in 1981-82 but dropped back to just above 1979-80 levels in 1982-83. Over the same period, 1979-83, imports increased from 33 per cent to 72 per cent of total competitive Australian market supplies of injection-moulding machinery and parts, an increase that reflected, for the most part, the demise of Johns.

Main Provisions

Clause 7 inserts sections 14A to 14X inclusive, into the Principal Act.

Proposed section 14B prescribes the four year period during which the bounty will be payable.

New section 14D prescribes 'value added' on which bounty will be paid.

New section 14G prescribes the rate of bounty.
Proposed section 14H prescribes the maximum amount of bounty payable.

Comments

This Bill, by allowing the maintenance of the existing 15 per cent tariff and extending the provision of bounty assistance, essentially adopts the recommendations contained in the IAC's Report No. 342 Injection Moulding Machines and Parts 28 February 1984.

Although both tariffs and bounties assist domestic goods to compete with imported goods, and thus stimulate local production, the two measures have different effects. For example, while tariff assistance increases the price of imports and allows local producers to price up to that level, the provision of assistance in the form of bounty payments impacts on the assisted industry's cost structure and does not directly increase the price of imported or locally produced goods.

Injection-moulding machines are a major capital item for much of the plastics processing industry which in 1983 employed some 30-33,000 people of whom approximately 12,000 were engaged in application involving the use of injection-moulding machines.

The long-term assistance provided by a tariff of 15 per cent is broadly consistent with both the level and the form of long-term assistance applying to a large range of other industrial equipment such as blow moulders and extrusion machines which are used in plastics processing. In such circumstances, assistance by way of bounty alone may give rise to price disparities between injection-moulding and other plastics processing machinery. Alternatively, assistance by higher tariff level alone may have deleterious consequences for plastic processing industries.

The bounty proposed by this Bill will have no direct impact on the costs currently faced by users of injection-moulding machines. However, bounties also involve a redirection or the raising of additional Government funds.

The IAC commented that the bounty should be intended to help Battenfeld achieve a level of international competitiveness by passing on the bounty to users rather than as a means of allowing the company to make larger profits subsidised by Australian taxpayers.

If the company were to adopt the preferred policy of 'buying' additional market share with the help of its
bounty it would strengthen the industry's position by allowing greater capacity utilisation and hence lower costs.

For further information, if required, contact:

Economics and Commerce Group
LEGISLATIVE RESEARCH SERVICE

1 April 1985

Reference
IAC No. 342 Injection Moulding Machines and Parts 28 February 1984, AGPS, Canberra.