Bounty (Ships) Amendment Bill 1985

Date Introduced: 17 April 1985
House: House of Representatives
Presented by: Hon. J.J. Brown, M.P., Minister for Sport, Recreation and Tourism

Purpose

To extend the bounty assistance currently provided to the shipbuild industry under the Principal Act, the Bounty (Ships) Act 1980, as part of a new shipbuilding industry assistance package.

Background

Under the Ship Construction Bounty Act 1975 assistance was given to the industry by means of a bounty at the rate of 25 to 27 per cent of the lowest acceptable Australian tender price. The bounty was payable on vessels built in registered Australian yards for use in Australian waters, by Australian flag operators or fishing vessels operating from Australian ports. Vessels eligible for the bounty were those in excess of 150 gross construction tons (gct) or, in the case of fishing vessels, those exceeding 21 metres in length.

No tariff assistance was accorded to bountiable vessels but customs regulations prohibited the importation of such vessels unless the importer had the written permission of the Minister for Transport. In addition a preference was granted to local shipyards in defence contracts.

The main form of assistance for recreational craft and other vessels not eligible for bounty was the provision of a 26 per cent general rate tariff on imports.

Subsequent to the Industries Assistance Commission Report No. 219 Ships, Boats and Other Vessels Not Exceeding 6000 Tones Gross Register 25 July 1979, the Government introduced a new assistance package for the shipbuilding industry along the lines of the IAC's recommendations apart from a slower phased reduction in the level of bounty assistance. The main changes from the previous assistance package were that:
bounty was assessed on the basis of construction cost;

- a bounty on vessel modifications to be paid at the rate of 20 per cent of the local modification cost where such cost exceeded $400,000;

- restrictions on the import of new ships were abolished;

- the 'bounty recapture' provisions of the Ship Construction Bounty Act 1975 were discontinued.

In 1983 the Minister for Industry and Commerce established a Task Force on the Australian Shipping Industry which recommended that the Government take specifications to assist the retention of a specialist shipbuilding industry in Australia. Consequent to the Task Force Report the Minister for Industry and Commerce announced on 11 October 1984 a new package to assist the shipbuilding industry comprising:

1. extension of the existing bounty to cover ships built for export;

2. removal of the 2 per cent revenue duty from imported goods used in the construction or modification of ships eligible for bounty;

3. a proposed industrial agreement between the industry and the ACTU;

4. registration criteria for shipbuilders who want to claim bounty; and

5. establishment of a Shipbuilding Consultative Group to monitor progress and examine registration applications.

Main Provisions

Clause 7 provides for the extension of the existing legislation so that bounty payments may also be paid on ships constructed for export.

Clause 8 provides for upper limits to be set on the amount of bounty available for export vessels. For the period 10 December 1984 to 30 June 1985, the limit is to be $6m, for the financial year commencing on 1 July 1985, $10m. In subsequent financial years the upper limit will be prescribed by legislation.
Clause 13 repeals section 10 of the Principal Act and inserts two new sections and prescribes the various requirements for the registration of premises and persons to be eligible for bounty payments.

Comments

Extending the bounty payments to exports should provide encouragement to those sections of the shipbuilding industry most worthy of encouragement and should increase their production efficiency. Second, the elimination of the demarcation between local and overseas usage could assist the entry of Australian operators using local ships into international shipping activities.

In the IAC 1979 report, the Commission considered that the industry's proposals for tightening the registration requirements under the Act would restrict the investment decision of existing or potential shipbuilders and would discriminate against certain sections of the industry.

The Commission recognised that registration may be an administrative requirement for payment of bounty but registration requirements which attempted to control the industry's structure could have deleterious effects on the competitiveness of the industry.

For further information, if required, contact:

13 May 1985

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References
