Date introduced: 11 September 1985
House: Senate
Presented by: Senator the Hon. John Button, M.P., Minister for Industry, Technology and Commerce

DIGEST OF BILL

Purpose

To restructure the bounty payable on tractors and tractor cabs and to introduce bounties for tractor parts and accessories.

Background

The range of tractors available in Australia may be broken into three categories namely, those under 15 kw power rating which are generally ride-on mowers; those with power ratings between 15 kw and 105 kw (the general purpose tractors) and those with power ratings above 105 kw which comprise the large, multi-wheeled tractors. This Bill will provide bounty assistance for tractors with an engine rating of 15 kw or above.

The market for such tractors has fluctuated in recent years and is particularly vulnerable to changes in farm incomes or droughts. Sales peaked at 16,600 in 1980-81 and fell to 10,200 in 1982-83.\[1\] Sales of locally produced tractors have also been affected by import competition. Chamberlain John Deere (CJD), a Western Australian based manufacturer, has been the major local producer since the International Harvester company ceased production in 1982. Although being the sole local producer of general purpose tractors, CJD's share of the total market has declined in recent years, falling from 20% in 1974-75 to 14% in 1982-83.\[2\] The local production of large tractors has expanded in recent years and there are now four companies engaged in producing tractors with power ratings above 105 kw. However, these producers are all small scale enterprises and employed only 56 people in 1983.\[3\]
The state of the industry and the level of assistance available was examined by the Industries Assistance Commission (IAC) in its 1984 report, *Agricultural Wheeled Tractors and Certain Parts*. The report noted that basic bounty assistance had been reduced from relatively high levels following an earlier, 1976 IAC report. The IAC also noted that other forms of assistance had been applied in recent years. Temporary assistance, which has doubled the bounty available, was granted to the industry in June 1983 and still remains. From September 1982, assistance was paid up to 12 months in advance which effectively gave producers interest-free loans. The IAC concluded that these measures have meant that the effective level of assistance has remained relatively high.[4] The IAC also commented on certain aspects of the current bounty scheme, notably:

1. the problems associated with the current method of bounty calculation which partly depends on the price movements of imported tractors;

2. the current eligibility criteria which makes bounties payable on all machines with a minimum 55% Australian content; and

3. the relatively poor assistance offered to manufacturers of large tractors. At present the amount of bounty is related to power ratings up to 105 kW and remains constant for higher output machines.

The IAC's 1984 report makes the following recommendations:

1. that bounty assistance should continue but that there are no compelling reasons to substantially increase assistance;

2. that the method of calculating the bounty should be altered to a value-added basis;

3. that bounty should be payable at 25% of the value-added on condition that the value-added is at least 20% of the total value of the machine;

4. that assistance should be extended to tractor components; and
that the scheme should continue until 31 December 1990.

The Government considered this report and, after consultation with the industry, this Bill was introduced.

Outline

This Bill will make bounty assistance available on a value-added basis to producers of tractors with a power rating above 15 kw. It will extend assistance to component manufacturers and extend this scheme until 31 December 1992.

Main Provisions

For a detailed analysis of the clauses of the Bill refer to the Explanatory Memorandum.

By clause 2 the Bill is deemed to have come into effect from 1 July 1985.

The interpretation provision (clause 4) contains a number of important definitions, including:

- 'bountiable agricultural tractor', which means a tractor used solely or principally in agriculture but not a limited use tractor;

- 'bountiable engine', 'bountiable engine equipment' and 'bountiable tractor equipment' which are defined by reference to the Customs Tariff Act 1982 (the Tariff Act);

- 'limited use tractor', which is defined as a ride-on mower or a tractor declared by regulation; and

- 'terminating day' which defines that the scheme will terminate on 31 December 1992 or, by notice published in the Gazette, on a day not later than 30 June 1993.

Clause 5 will protect manufacturers, who have commenced to make bountiable equipment, from changes in the Tariff Act. If the equipment being manufactured ceases to be bountiable, this clause will deem such equipment to have been completed so that equipment under manufacture will remain eligible for the bounty.
The method for calculating the value-added is contained in clause 7. The clause defines value-added as the factory cost less the costs incurred outside the factory, such as parts and materials or research and development carried on outside Australia. The clause will also empower the Comptroller-General of customs to determine the value-added where he is satisfied that the alleged costs are incorrect, or are designed to increase the amount of bounty payable.

Factory cost is defined in clause 8 which lists the various costs that may be included in, or are excluded from, the calculation of factory costs. Amongst those that may be included are wages, salaries, parts and materials and certain research and development costs. Excluded from the calculation are administrative costs, tax, profits, certain interest payments, delivery costs and certain tractor accessories.

The eligibility criteria for bounty assistance is contained in clause 11. Bounty will be payable to manufacturers who produce bountiable equipment in registered premises if:

- the value-added is not less than 20% of the factory cost; and
- the equipment is for use in Australia.

Bounty is not payable where the equipment is:

- parts or engines for use in vehicles outside Australia; or
- produced by the Commonwealth or a State.

The amount of bounty payable is contained in clause 12. In respect of bountiable tractors and tractor cabs the following rates are to apply:

- 40% of the value-added, from 1 July 1985 - 30 June 1986;
- 35% of value-added, from 1 July 1986 - 30 June 1987;
- 25% of value-added, on or after 1 July 1987.

while for other bountiable equipment a constant 25% of value-added is to apply.
Bounty will be payable in advance if approved by the Comptroller-General of Customs (clause 15) and the procedure for making claims for assistance is contained in clause 16.

The Comptroller-General will have power to vary excessive claims and such decisions are to be reviewable by the Administrative Appeals Tribunal (clause 18).

Manufacturers are required to furnish returns of their costs. In certain circumstances, the Comptroller-General may require that such returns are to be verified and signed by an accountant (clause 19).

The requirements for the registration of premises are listed in clause 23, as is the power to cancel such registrations.

By clause 25 the Comptroller-General may require security to be lodged to ensure compliance with the Bill.

Clause 28 requires persons to answer questions or produce documents on request.

Clause 30 makes it an offence for a failure to answer questions or produce documents, obtaining a bounty that is not payable or making false statements.

In the Miscellaneous provisions, Part V, the Minister is required to table returns in Parliament (clause 33). Provision is made for appeals to the Administrative Appeals Tribunal for people whose rights or entitlements under the Bill are affected by administrative decisions (clause 35).

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

2. Ibid., p.17.
3. Ibid., p.16.
4. Ibid., p.1.