Date introduced: 18 September 1985
House: House of Representatives
Presented by: Hon. Barry Jones, M.P., Minister Assisting the Minister for Industry, Technology and Commerce

DIGEST OF BILL

Purpose

To phase out bounty assistance for the commercial motor vehicle industry as part of the Government's revised assistance arrangements for the industry.

Background

Prior to the Government's announcement on 6 August 1985 concerning the new methods of assisting the commercial motor vehicle industry, there had been a variety of schemes which provided assistance to the industry. Since August 1978, heavy commercial motor vehicle production in Australia has been assisted by a package comprising three main elements namely:

- tariffs on imported completely built-up (cru) 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 (the Principal Act) provided bounty assistance to assemblers of general purpose vehicles and prime movers for their use of certain locally produced original equipment components. The bounty was 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 was not available if these components were produced in-house by the assembler, or if the local content was 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 to 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. This scheme of assistance was extended until the Government had time to consider the IAC report.

After considering the IAC report and consulting with the industry, the Government agreed with the IAC that the level of assistance was too high but rejected parts of IAC's package of recommendations. The Minister stated in his Second Reading Speech '... it was hard to see any benefits in the IAC's preferred package since it involved both a contraction in industry activity and increased prices to consumers'.[1] After further consultations, a package of assistance measures, of which this Bill forms part, was announced on 6 August 1985. The major aspects of the package are:

- the phasing out of current bounty assistance;
- a reduction in the rate of duty for heavy commercial vehicles;
- the maintenance of the existing rates of duty on non-bountiable components;
- the restriction of the use of by-law entry at concessional rates;
the application of a tariff of 25% to bodies and trailers if imported separately from the chassis.

Outline

The Bill will amend the Principal Act to phase out bounty assistance by 31 December 1988. The Bill also updates the administrative provisions of the Principal Act.

Main Provisions

The method of calculating 'Australian content percentage', which is used as an eligibility criterion, is contained in clause 5 which inserts a new section 5A into the Principal Act. The Australian content percentage will be related to the selling price of a component and the cost of raw materials and imported parts.

Clause 7 introduces a new grouping into the Principal Act which will place sections 8 to 14 under the heading of Part II. This part will refer to vehicles assembled before the new scheme comes into operation, i.e. 1 January 1986.

Clause 8 repeals section 15 of the Principal Act and inserts a new Part III which implements the Government's decision on the bounty. This Part will apply to vehicles produced in 1986, 1987 and 1988 (proposed sections 14A and 14B).

Proposed section 14C will enable the Comptroller-General of Customs to determine the price of a component where he is unable to verify the selling price or is of the opinion that such a price is incorrect or has been fixed to increase the amount of bounty payable. Such determinations will be reviewable by the Administrative Appeals Tribunal.

The rate of bounty is fixed by proposed section 14D as follows:

- for vehicles assembled during 1986 - 16%;
- for vehicles assembled during 1987 - 12%;
- for vehicles assembled during 1988 - 8% of the into-store value of the component.
Bounty will not be payable if the Australian content percentage of the components is less than 65%.

The bounty will not be payable in any year if Parliament has not appropriated money for that purpose. Furthermore, if the money appropriated falls short of the total claims, payments may be adjusted by the Comptroller-General (proposed section 14E).

Division 3 of Part III (proposed sections 14G to 14M) deals with the payment of bounty. Advances are allowable if approved by the Comptroller-General (proposed section 14G) and the form of a claim for bounty is outlined in proposed section 14H. The Comptroller-General will have power to vary inadequate claims (proposed section 14J) or excessive claims (proposed section 14K) and to correct overpayment (proposed section 14L).

Proposed section 14N deals with the requirements for, and method of, the registration of premises under the Principal Act.

Persons will not be entitled to a bounty unless they keep adequate accounts (proposed section 14P).

The Comptroller-General will be empowered to require persons to provide security for the bounty (proposed section 14Q).

Clause 9 will amend section 19 of the Principal Act to add new offences. It will be an offence to knowingly obtain or attempt to obtain a bounty that is not payable; to knowingly make a false or misleading statement or present false records or accounts.

Clause 10 adds new sections 19A, which limits the time for prosecution to 3 years after the commission of the offence, and 19B, which will enable bounty payments to be recovered from convicted persons.

Decisions made under the new provisions will be reviewable by the Administrative Appeals Tribunal (clause 12 which amends section 22 of the Principal Act).

Clause 14 will substitute a new section 24 in the Principal Act to allow the Governor-General to make regulations for the purpose of the Bill.
For further information, if required, contact the Economics and Commerce Group.

2 October 1985

Reference


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