DEPARTMENT OF THE PARLIAMENTARY LIBRARY
LEGISLATIVE RESEARCH SERVICE
BILLS DIGEST INFORMATION SERVICE

AUTOMATIC DATA PROCESSING EQUIPMENT BOUNTY
AMENDMENT BILL (NO. 2) 1984

Date Introduced: 5 September 1984
House: House of Representatives
Presented by: Hon. J.J. Brown, M.P., Minister Assisting the Minister for Industry and Commerce

Short Digest of Bill

Purpose

To continue a bounty payable on the manufacture of ADP equipment in Australia since 1977 beyond its due termination date of 5 May 1984 until 5 July 1984, when a new computer bounty commences.

Background

A bounty is payable for the manufacture in Australia of ADP equipment under the Automatic Data Processing Equipment Bounty Act 1977. Bounty rates were 20 per cent for the three years from 29 March 1977, 15 per cent for a further two years, and 7.5 per cent from 29 March 1982. The two-year period to 28 March 1984 has been extended until 6 May 1984 [see Bills Digest for Automatic Data Processing Equipment Bounty Amendment Bill 1984]. The Bill would extend the bounty period to 5 July 1984.

From 6 July 1984, the bounty may be paid on the manufacture in Australia of computer equipment and certain computer-based machinery at the rate of 25 per cent of "value added" by the manufacturer as defined in the legislation [see Bills Digest for Bounty (Computers) Bill 1984]. In contrast, the ADP equipment bounty legislation appropriates bounty payments, initially at the rate of 20 per cent but now at 7.5 per cent, of the excess of factory cost over the cost of materials and parts used in manufacture. Both factory cost and materials cost are to be determined by the Comptroller-General of Customs.

The Industries Assistance Commission (IAC) recently reviewed the industries producing computer hardware and software, other office machines, metal working machine tools
and robots.[1] The IAC presented statistics for total bounty payments made under the Act, excluding payments in respect of floppy diskettes:

<table>
<thead>
<tr>
<th>Period</th>
<th>% Rate of bounty</th>
<th>Total payments ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 years to 28 March 1980</td>
<td>20%</td>
<td>1.46m</td>
</tr>
<tr>
<td>2 years to 28 March 1982</td>
<td>15%</td>
<td>2.02m</td>
</tr>
<tr>
<td>1 year to 28 March 1983</td>
<td>7.5%</td>
<td>0.77m</td>
</tr>
</tbody>
</table>

Source: IAC Report, Table B5.2.

The IAC referred to a decision of the Administrative Appeals Tribunal in March 1983 that costs of producing systems software ancillary to the manufactured hardware were bountiable, while applications software development, which formed the main activity of numerous Australian software houses, was not eligible for this assistance.[2]

Such software houses were also ineligible for the reason that the development was not in connection with hardware manufacture.[3] The ADP equipment bounty was paid to 19 companies in the six years to 1983, total amounts paid per company ranging from $850 to $1.4m.

The tariff equivalent of the bounty at its 7.5 per cent rate, was estimated by the IAC at 2 per cent ad valorem.[4] For cathode ray tube (CRT) displays, the nominal tariff rate of 24 per cent was estimated to correspond to a "slightly higher" effective rate of assistance.[5]

The extension of the bounty from 6 May 1984 to 5 July 1984 is estimated in the Second Reading Speech to result in a total bounty entitlement of $200,000.

Main Provisions

The period for the payment of bounty at the rate of 7.5 per cent is altered to extend to 5 July 1984 by clause 3. Under clause 2, the Bill is to be deemed to commence on 5 July 1984, the last day of the bounty period. It will thus authorise payment on manufacture occurring during that bounty period.
For further information, if required, contact:

17 September 1984

Economics and Commerce Group
LEGISLATIVE RESEARCH SERVICE

References

4. loc.cit.