Date Introduced: 5 October 1983
House: House of Representatives
Presented by: Hon. John J. Brown, M.P., Minister Assisting the Minister for Industry and Commerce

Short Digest of Bill

Purpose

To amend the Bounty (Agricultural Tractors) Act 1966 in order to double the bounty on locally produced tractors with a power of not less than 15kW at the power take-off.

Background

The local agricultural tractor industry is assisted by a bounty on the production and sale of tractors in Australia. The amount of bounty payable is set out in the Schedule to the Bounty (Agricultural Tractors) Act 1966 and varies with the power of the tractor and the period during which the tractor was manufactured. It is adjusted periodically in accordance with the movements in the prices of imported tractors.

In 1976 the Industries Assistance Commission (IAC) recommended that the bounty scheme be restructured so as to phase in a generally lower but more uniform rate of assistance, equivalent to an effective rate of about 25 per cent.[1]

In a later report, the IAC recommended that the bounty schedule be extended to include locally manufactured tractors in excess of 105kW.[2] The Government accepted the recommendations of the two IAC Reports.

Chamberlain John Deere (CJD) is the major manufacturer of agricultural tractors in Australia and manufactures tractors in the 45-90kW power category. The Temporary Assistance Authority (TAA) estimated the effective rate equivalent of the existing bounty assistance to be of the order of 10 per cent. In 1981-82, CJD received bounty assistance of $4.4 million. CJD requested a substantial increase in bounty payments on all sales of local production
since 28 October 1982. CJD argued that "additional assistance was necessary because of market disruption resulting from aggressive discounting by importers endeavouring to dispose of large stocks of tractors".[3] CJD estimated that temporary assistance of the value $6.5m over 12 months would be necessary.

The market for agricultural tractors declined sharply in the 6 months to December 1982 and, in the 45 to 90kW power category, the market decline commenced in 1981-82. A number of factors were responsible for this outcome, namely "drought, oversupply of tractors, high inventories and heavy discounting in efforts to move stocks and structural changes in the market for goods under reference".[4] The TAA concluded that bounty assistance to CJD would not be appropriate because its cost would be very high and estimated that the effective rate equivalent to be more than 70 per cent. It recommended that a loan of about $6 million should be given to CJD.

The Minister for Industry and Commerce, in a press release, dated 10 June 1983, announced the Government's decision to double the bounty on locally produced tractors for a period of twelve months. The Government had considered the recommendations of TAA but decided that a loan of about $6m on concessional terms was not the appropriate solution at the current time. "The higher bounty level proposed would bring effective assistance to this industry more in line with that intended when the present bounty scheme was introduced."[5] "When the Government's decision was taken it was estimated at that time that the additional bounty assistance could cost up to $3.4 million in a full year depending on levels of sales. However, the actual cost is now likely to be significantly less in the view of the current depressed market conditions."[6] Furthermore, the proposed assistance will be a temporary measure pending an IAC report on the industry.

Main Provisions

By clause 3, a new section 7 will be inserted into the Principal Act to provide for the bounty payable on a tractor to be an amount equal to twice the amount that would otherwise have been payable under the Act. It would be paid on a tractor that was sold, during 10 June 1983 to 9 June 1984 inclusive, by the manufacturer for use in Australia or an external territory.
Clause 4 will insert section 18B into the Principal Act to allow persons to be notified of the rights of review by the Administrative Appeals Tribunal of decisions under section 18A.

For further information, if required, contact:

20 October 1983
Economics and Commerce Group
LEGISLATIVE RESEARCH SERVICE

References

1. Industries Assistance Commission, Agricultural Tractors, No.81, 19 February 1976.
2. IAC, Agricultural Wheeled Tractors Exceeding 105kw, No.142. 18 August 1977.
4. TAA, ibid, p.21.