Date Introduced: 28 February 1980
House: House of Representatives
Presented by: Hon. R.V. Garland, Minister for Business and Consumer Affairs

Short Digest of Bill

Purpose

To introduce a bounty on the manufacture in Australia of cemented carbide drilling bits with diameters greater than 105mm.

Background

This Bill will implement the recommendations of the IAC in its report, "Short Term Assistance to Certain Bits of Cemented Carbides", (19 September 1979), that short term assistance by way of a bounty is warranted pending consideration of the long-term assistance requirements of the industry. These requirements will be discussed in the IAC report on "Cutlery, Industrial Knives and Hand Tools" which is expected to be received by 30 June 1981.

Under this Bill the total amount available to be paid is limited to $150,000 per annum. The IAC estimated however that on present demand and market prices, with imports accounting for between 80 to 90% of the Australian market, the bounty payments would amount merely to about $30,000 per annum. This would increase to about $100,000 if the local industry's share of the market increased to 50%. The limit of $150,000 was recommended by the IAC to allow for growth in the market.

The industry is presently assisted by import duties, the rate varying with the size of the drilling bit. The duty rate for imported bits exceeding 105mm in diameter, which represent over 95% of the market, is 6% General and 2% Preferential.

The IAC has estimated that the proposed bounty will be equivalent in assistance to that provided by a duty of 25% which would increase to about 30% if tungsten carbide button inserts were imported under by-law.

There are at present two main Australian manufacturers of down hole hammer (D.H.H.) button bits which...
are disadvantaged by a weighted average price differential of about 23% compared with imports. The Australian made drilling bits are also disadvantaged in terms of product quality. Miners stated to the IAC that performance rather than price was the main criterion in their choice of bits. This quality difference led the IAC to conclude that the imposition of a tariff on drilling bits in preference to a bounty would be inappropriate as a tariff would merely assume the role of a tax on miners because they would ignore price differentials and select the more efficient.

Main Provisions

The bounty will operate from 1 October 1979 for 12 monthly periods. The bounty scheme may however be terminated on a date notified in the Gazette by the Minister (clause 4).

The Comptroller-General is to determine the factory cost of the drilling bit which may provide allowance for factory overhead charges but not for general administration, selling costs, service charges or taxation (clause 5).

Bounty is to be payable to the manufacturer of bountiable drilling bits which, during the period to which the Act applies, are produced and sold for use in Australia (clause 7). The Australian factory cost is to exceed 50% of the factory cost of the drilling bit (clause 7). Manufacturing must be carried out at registered premises (clause 12) and the bountiable drilling bit must be of good and merchantable quality (clause 10).

Clause 8 specifies the rate of bounty at $40 for drill bits exceeding 105mm but less than 127mm in diameter to $160 for drill bits of 203mm in diameter and above.

The amount of bounty payable in any one year is limited to $150,000 and, where the amount of valid claims exceeds that amount, payments are to be made on a proportionate basis (clause 9).

An application for review of a decision made by the Comptroller-General or the Minister pursuant to the Act may be made to the Administrative Appeals Tribunal (clause 22).

See Notes on Clauses provided by the Minister for other minor provisions.

Finance, Industries, Trade & Development Group
LEGISLATIVE RESEARCH SERVICE

5 March 1980