Date Introduced: 6 March 1980
House: House of Representatives

Short Digest of Bill

Purpose
To make new arrangements for the payment of bounty assistance to the shipbuilding industry.

Background

Under the Ship Construction Bounty Act 1975 assistance is currently given to the industry at the rate of 25 to 27 per cent of the lowest acceptable Australian tender price. The bounty is payable on vessels built in registered Australian yards for use in Australian waters, by Australian flag operators or fishing vessels operating from Australian ports.

Vessels eligible for the bounty were those in excess of 150 gct (gross construction tons, the volume in cubic metres divided by 2.83) or, in the case of fishing vessels, those exceeding 21 metres in length. The present Bill makes new arrangements for the payment of the bounty but no change is made to the eligibility requirements. An IAC report (Ships, boats and other vessels not exceeding 6000 tons gross register, 25 July 1979) concluded that the present bounty system requiring the tendering of vessels appears to impose unnecessary and undesirable costs and delays on the industry and the administering department. The IAC also felt assistance was too high. It therefore recommended a "streamlined" scheme which included a phased reduction in the level of bounty assistance to 20 per cent.

The current legislation provides for repayment of part of the bounty under circumstances where the vessel is no longer used for the specified purposes. In practice this imposes a liability on exporters of used Australian-built vessels. This provision does not appear in the present Bill. Apart from a slower phased reduction in the level of bounty assistance, the provisions in the present Bill follow the IAC's recommendations.
Provisions

The Act comes into operation on 1 July 1980 (cl. 2). The bounty payable is initially 29-1/2 per cent of the cost of construction for large (greater than 1,000 gct) vessels and 27-1/2 per cent for small (not more than 1,000 gct) vessels commenced within the 6 months beginning 1 July 1980. From 1 January 1981 the bounty becomes 27-1/2 per cent for large and small vessels until 30 June 1984, after which it declines by 2-1/2 percentage points each year to reach the long run rate of 20 per cent after 30 June 1986 (sub-cl. 7(1)). The Bounty on modifications to existing vessels is set at 20 per cent of the cost of the modification (sub-cl. 7(2)). The cost, for the purposes of the Act, is determined by the Comptroller-General (sub-cl. 4(1)) having regard to the cost of comparable work in Australia or overseas (para 4(2)(a)) the nature of any work to be disregarded (para 4(2)(b)) and with allowance for overhead charges, design costs, interest charges and administrative expenses (para 4(2)(c)).

Clause 6 provides for the bounty to be payable to the shipbuilder on the production of an eligible vessel provided the work is carried out at registered yards (para. 6(3)(a)) and that the owner intends the vessel for use in specified domestic operations (para 6(3)(b)). The bounty is not payable on modifications unless the costs of modifications exceeds $400,000 (sub-cl. 6(4)), nor in cases where a bounty is payable under the Ship Construction Bounty Act 1975. (sub-cl. 6(5)).

Clause 8 provides for payments in advance on account of the bounty. The Minister is to approve applications lodged in accordance with the regulations unless he is not satisfied that the bounty is payable (cl.9). Provision is made for the registration of goods which meet conditions laid down in the regulations (cl.10). Various other matters, including the keeping of records the powers of the Minister to inspect records, and administrative review are provided for (see the clause notes to the Bill).