WOOL INDUSTRY AMENDMENT BILL 1980

Date Introduced: 17 April 1980
House: House of Representatives
Presented by: Hon. P.J. Nixon, Minister for Primary Industry

Short Digest of Bill

Purpose

To (a) extend the reserve (floor) price scheme for wool and the Wool Market Support Fund indefinitely;

(b) make provision for progressive refunds to producers of levy contributions made earlier to the Wool Market Support Fund;

(c) make automatic future appropriations of the Government's "matching" contributions to the Wool Research Programs; and

(d) enable "pre-purchase" marketing costs of the Wool Corporation to be brought into the Corporation's profit and loss accounts.

Background

Under the current arrangements taxes totalling 8 per cent are levied on the value of all shorn wool sold in Australia. A 3 per cent levy represents producer contributions towards both the financing of wool research programs and the administration of the marketing functions of the Australian Wool Corporation (AWC). At present the Minister allocates moneys collected under the 3 per cent levy between these two functions carried out by the AWC. The proposed legislation will establish separate levy rates, whose combined value is not to exceed 3 per cent, and separate accounts clearly delineating the moneys to be used for research and AWC operating expenses respectively.

The remaining 5 per cent levy is paid into the Market Support Fund (MSF) to finance the reserve price scheme. The reserve price scheme was introduced in 1974 to meet emergency needs of the wool industry which was facing a severe shortage of demand. The Australian Government initially made loans of $350m available to the AWC to enable it to make purchases of stock. The AWC's drawings against this allocation reached a maximum of $281.5m in November
1975. These borrowings have since been repaid and moneys currently standing to the credit of the MSF chiefly consist of past producer contributions. Under the proposed legislation it is intended to return grower contributions on a first-in-first-out basis whenever the fund exceeds $350m. The legislation will also indefinitely extend the reserve price scheme, which was originally intended to operate for the 1974-75 season only but has been extended at various times and is now due to expire on 30 June 1980. These changes have received producer support. However, the industry is concerned about the proposed method of repayment from the MSF.

Generally, the original purchasers of wool (usually wool-brokers) will be responsible for supplying information regarding purchases from producers to the AWC. The nature of the information required will be provided in regulations to be proclaimed for that purpose. Producers and brokers are concerned that confidential information will be divulged to the AWC. Brokers are particularly concerned as they regard the AWC as a competitor in the purchase of wool stocks and are loath to release confidential commercial information.

Industry sources have also expressed concern at the decline in the Government subsidy going towards wool promotion and the implications of the present Bill in that respect. However, the amount of promotion subsidy is a Ministerial decision which will continue to be made under the unchanged s.84. Therefore the present Bill is not related to this issue.

Changes are proposed in the appropriation of the Government's matching contribution for research expenditure. This will be brought into line with other rural industries by matching the Government contribution to the amount spent on research rather than the amount provided for research.

In 1979 the Wool Council of Australia replaced the Australian Wool Industry Conference. This change is recognised by amendments to the principal Act.

Provisions

Para. 6(2)(a) enables the AWC to make payment of refunds (see below) from the Market Support Fund. Paragraph 6(2)(b) amends sub-section 28A(8) of the Principal Act which refers to the costs to be taken into account in determining the AWC's profit or loss. The amendment allows wool purchase and other pre-purchase expenses to be included as costs.
Para. 6(2)(d) repeals sub-s. 28A(18), relating to the periods to which the reserve price scheme applies, replacing it with a new sub-section. The new sub-s. 28A(18) contains no reference to a termination date.

Various other changes are made as a consequence of those just outlined. Clause 10 inserts a new Part IIIA (sections 42A to 42AG), Repayment of Moneys Paid into Market Support Fund. S.42A contains definitions. "Participating wool" is defined as wool sold, subjected to manufacture, or exported on behalf of the producer in relation to a financial year or a "declared period". Section 42B empowers the Minister to declare one or more financial years a "declared period", if he is satisfied that moneys standing to the credit of the Fund will be sufficient to:

- meet AWC liabilities payable out of the Fund,
- operate the reserve price scheme; and
- make refunds to eligible persons.

Where the Minister declares a declared period, refunds are payable on participating wool (s.42C). Producers of participating wool are normally eligible for a refund (s.42D); special provisions are made in respect of bankrupt estates (s.42E), defunct companies and dissolved partnerships (s.42F), deceased persons (s.42G), personal representatives and trustees (s.42H). Section 42J specifies the refund payable being a proportion of the wool tax payable or, where the tax was deducted from the sales price, a proportion of the sales price. The proportions in each case are to be established by regulations made for that purpose. A refund will not be paid unless the amount payable is $25m or more (sub-s. 42J(5)). Provision is made for the minimum refund to be adjusted by regulation (sub-s. 42J(6)).

Payment is to be made by certain registered persons on behalf of the AWC (s.42K). Authority for the payment is given in section 42L. Registered persons must just furnish information to the AWC as required by regulation. The AWC is required to make payments to the registered persons after receiving information relating to the refunds payable (s.42M). Payments by the AWC to registered persons are deemed to be held in trust for the AWC until paid to producers (s.42Q). Income on monies held in trust are payable to the AWC (s.42R). Information regarding the affairs of individuals is required to be kept secret by AWC officers (s.42AA).
Clause 11 amends s.68 relating to payments into the Fund. Paragraph 68(1)(a) is repealed. The new paragraph 68(1)(a) provides for the payment into the Fund of the taxes to be imposed under paras. 5(1)(a) of the Wool Tax (Nos. 1-5) Amendment Bills 1980. A matching contribution from the Government is provided for when expenditures are made from an account kept for that purpose (para. 68(1)(ab)). Provision is made for the keeping of that account from contributions made under para. 68(1)(a) (sub-s. 68A(a)). Clause 14 amends s.70 allowing application of money standing to the credit of the account kept under para. 68(1)(a) for purposes of research.

Finance, Industries, Trade & Development Group

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