BOUNTY (INJECTION-MOULDING EQUIPMENT) BILL 1979

Date Introduced: 31 May 1979
House: House of Representatives
Presented by: Hon. Wal. Fife, Minister for Business and Consumer Affairs

Purpose

To grant assistance by way of a bounty to Australian manufacturers of injection-moulding equipment.

Background

This Bill implements a recommendation of the IAC in its Report no. 191, 12 December, 1978, "Miscellaneous Industrial Machinery", that transitional assistance by way of a bounty be paid to eligible manufacturers. The proposed bounty scheme differs from the IAC's recommendations in only one respect - that bounty will not be paid on equipment sold for export.

Although the above report has yet to be released, the Draft Report is available.

At present there are only two significant local manufacturers of injection-moulding machinery, Johns Consolidated at Clayton, Victoria and Battenfeld (Australia) at Albury. Employment at Johns was 280 persons in 1977 and at Battenfeld 60 persons. The proportion of the market held by the two manufacturers was 66% in 1976-77.

Price comparisons have indicated that Johns' machines have a price disadvantage of 60 to 70% against the Japanese machines but only a very small disadvantage against the Austrian machines. Up until the 23 May 1979 there existed a tariff of 55% to assist the industry against these price disadvantages. This level of protection was equivalent to an effective rate of about 95% which is very high in comparison with effective rates applying in other manufacturing industries. In Customs Tariff Proposals No. 18 (1979) the tariff on injection-moulding machines was reduced to 15% following recommendations from the IAC. This is to be accompanied by a bounty of 45% of the value added in the first year which will be phased out over five years leaving the long term duty of 15%. 
The IAC felt that implementation of this long term level of assistance should induce local producers to finally decide whether they can restructure their operations to be viable in the long run under moderate levels of assistance or to withdraw from local production. Johns expects cost reductions from its reorganisation to be about 25%. Even if this is achieved, the long term viability of local producers looks to be under question. Although a winding down of certain production activities may have to be faced this might not lead to plant closures as both companies could provide service and locally required modification on imported machines. At the same time Johns is establishing a manufacturing base in Singapore.

Nevertheless to moderate any social disruption which unemployment resulting from the above restructuring might involve and so as not to unduly impair the restructuring that is already taking place, the phased reduction in assistance is being introduced. The level of protection afforded by the proposed tariff plus bounty in the first year will be equivalent to a tariff of about 45%. This was the initial level requested by the industry.

Main Provisions

Clause 7 provides that a bounty is to be payable to the manufacturer on the production in Australia of injection-moulding equipment (as defined in clause 3).

Bounty is to be payable at the rate of 45% of the additional value of the equipment (as defined in clause 5) for the period 23 May 1979 to 22 May 1980, 35% from 23 May 1980 to 22 May 1981, 25% from 23 May 1981 to 22 May 1982, 15% from 23 May 1982 to 22 May 1983 and 5% from 23 May 1983 to 22 May 1984 (clause 8).

The manufacture must be carried out at registered premises (clause 12) and the injection-moulding equipment must be of good and merchantable quality (clause 9). Clause 22 provides an avenue of appeal to the Administrative Appeals Tribunal from decisions of the Comptroller-General or the Minister made pursuant to the Act.

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