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BOUNTY (AGRICULTURAL TRACTORS) AMENDMENT BILL 1978

Date Introduced: 6 April 1978
House: House of Representatives
Presented by: Hon. W. Fife, M.P.,
Minister for Business and
Consumer Affairs

Short Digest of Bill

Purpose

To extend the bounties currently payable on the manufacture in Australia of agricultural wheeled tractors to cover those exceeding 105 kw at the power take-off.

Background

A major restructuring of assistance for tractors up to 105 kw power was provided by the Agricultural Tractors Bounty Amendment Act 1977, passed in May 1977 (see Digest). This implemented the main recommendation of the I.A.C. in its report 'Agricultural Tractors', 19 February 1976. It provides for a phased reduction of bounty levels between 1977 and 1982, ultimately giving an effective rate of assistance of about 25%. There is no protection through import duties.

Tractors over 105 kw were not included in those new bounty arrangements because, at the time of the I.A.C. inquiry, the Government was not aware of any local production although Chamberlain John Deere Pty. Ltd. was known to be conducting feasibility studies. Subsequently the Government was informed that tractors over 105 kw were being built in Australia by a number of small firms. (Phillips-Merredin in W.A., Upton's Engineering in N.S.W., and soon by James Nagorka in Vic.). Requests for assistance were not made by any of these firms, however, but by Chamberlain and International Harvester, the two manufacturers of smaller tractors. A reference to the I.A.C. on 6 January 1977 resulted in the report "Agricultural Wheeled Tractors exceeding 105 kw", 18 August 1977 (No. 142).

The market for tractors over 105 kw is growing rapidly. Sales in 1975-76 were 1374 units or 6.5% of all tractors. Nearly all were imported.

The I.A.C. recommended that, to avoid distortions in choice, assistance for tractors over 105 kw should be at an equivalent rate to
those below 105 kw. This, it was considered, could be broadly obtained by extending the bounty in proportion to power beyond 105 kw (up to 150 kw).

The Minister for Business and Consumer Affairs announced on 16 Nov. 1977 the Government's acceptance of the I.A.C.'s recommendations. The bounty rates are those in the I.A.C.'s recommended schedule updated for price movements between the first quarters of 1976 and 1977. Apart from an immediate application of the recommended ultimate rate of assistance, the terms and conditions of the bounty will be the same for tractors above and below 105 kw.

The cost of the new bounty is likely to be insignificant in the short term because production by Chamberlain or I.H. is unlikely to begin before the early 1980's and the present manufacturers would currently be not eligible for bounty, having local content levels below 55%. The terminating date is 31 December 1984 unless extended by Proclamation. Assistance for all tractors will be reviewed before 1985.

Provisions

Clause 3 alters the title of the Principal Act to the Bounty (Agricultural Tractors) Act 1966, in accordance with the new practice.

Clause 2 specifies the commencing date to be the date of Royal Assent.

Clause 4 amends section 6 to provide for regulations to prescribe a factor to adjust the bounties in accordance, as far as practicable, with movements in prices of imported tractors. The present section 6 provides for adjustment but does not specify how the factor is to be ascertained. To date, the Reserve Bank's import price index for the "machinery except electric" group has been used.

Clause 5 extends the present Schedule of bounties (as amended in May 1977) to provide for tractors in excess of 105 kw. The amounts vary from $2465 for 106 kw up to $3480 for 150 kw and over.