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THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

BOUNTY LEGISLATION AMENDMENT BILL 1991

EXPLANATORY MEMORANDUM

(Circulated by the authority of the Minister for Industry,
Technology and Commerce, Senator the Honourable John N. Button)



BOUNTY LEGISLATION AMENDMENT BILL, 1991

OUTLINE

This Bill proposes amendments to six bounty Acts, to give effect to various decisions announced by the Government in the 12 March 1991 Industry Statement.

Substantive changes to current bounty legislation are proposed in four general categories as follows:

i) amendments to the three Textile, Clothing and Footwear Bounties:

- Bounty (Bed Sheetting) Act 1977,
- Bounty (Printed Fabrics) Act 1981, and
- Bounty and Capitalisation Grants (Textile Yarns) Act 1981

to progressively phase down the bounty rates to zero by the end of each bounty on 30 June 1995;

ii) amendments to the Bounty (Metal Working Machine Tools and Robots) Act 1985 to:

- extend the bounty period for a further 6 years, from 1 July 1991 to 30 June 1997, with bounty rates progressively phasing down to 5% in the financial year commencing 1 July 1996;
- broaden the scheme's coverage to permit the payment of bounty on the production of machine tools for the working of advanced materials, such as engineering ceramics, polymers and composites; and
- introduce various new eligibility criteria which exclude production for "in-house" use from bounty eligibility, but extend bounty to the production of all bountiable equipment for export;

iii) amendments to the Bounty (Computers) Act 1984 to:

- widen its coverage to permit the payment of bounty on the production of printed circuit boards, and
- progressively phase down bounty rates to 8% by the end of the bounty on 31 December 1995; and

iv) amendments to five Bounties to introduce minimum annual production threshold levels before bounty may be claimed (ie. the 3 Textile Clothing and Footwear bounties, the Computer Bounty and the Metal Working Machine Tools Bounty), and amendment to one Bounty to increase the minimum claim level (ie. the Book bounty).

Financial Impact Statement

1) Amendments to the three Textiles, Clothing and Footwear Bounties:

The estimated bounty outlays for the period 1992-95 will progressively reduce as a result of the accelerated phase down in bounty rates, commencing 1 July 1992 for the Textile Yarns and Printed Fabrics Bounties, and 1 July 1993 for the Bed Sheetting Bounty, as follows (with the figures representing upper limits in expected outlays);

1990-91	\$63 million - no change
1991-92	\$60 million - no change
1992-93	\$50 million - down from the current \$58 million,
1993-94	\$25 million - down from the current \$55 million, and
1994-95	\$16 million - down from the current \$34 million.

2) Amendments to the Metal-working Machine Tools and Robots Bounty:

The proposed amendments extending the Bounty beyond this financial year are expected to result in an overall cost to 1 July 1997 of \$38.6 million (at current prices).

The Bounty is estimated to cost \$15 million in 1991/92 (at current prices), but will phase down to around \$2 million per year by financial year 1996/97.

3) Amendments to the Computers Bounty:

The amendments to this Bounty to widen its coverage to include printed circuit boards as from 1 July 1992 will be accommodated as far as possible within the current budget forecasts by reducing the scheduled bounty rates by one percentage point as from the 1992/93 financial year. Total bounty outlays are therefore forecast to remain at \$50.1 million in 1991/92, \$49.5 million in 1992/93 and \$48.7 million in 1993/94.

4) Threshold Amendments:

The threshold amendments have no financial implications, as they are directed at creating efficiencies within various industries rather than being aimed at specific cost savings.

BOUNTY LEGISLATION AMENDMENT BILL 1991NOTES ON CLAUSESShort title etc.

Clause 1 provides for the citation of this Act as the Bounty Legislation Amendment Act 1991.

Commencement

Clause 2 provides that this Act commences on 1 July 1991.

Amendment of various Acts

Clause 3 provides that the Acts are amended as set out in the Schedule

Schedule

The amendments contained in this Schedule give effect to changes to various Bounty Acts as follows:

Bounty and Capitalisation Grants (Textile Yarns) Act 1981Subsection 2(1)(definition of "bounty period")

This amendment omits all words after "ending on 30 June 1995" to ensure that the current bounty scheme terminates on that date and cannot be extended by Gazettal.

Subsection 2(3)

This provision amends the processes which under the Act are included in the production of yarn by:

- . omitting sizing operations from the processes that are specifically included in the production of yarn (paragraph 2(3)(d)); and
- . specifically excluding from the ambit of the production processes beaming, warping and sizing processes and any repeat winding necessitated by these processes (paragraph 2(3)(ka)).
- these processes are excluded as they are not central to bountiable yarn production.

Subsection 3(2)

This amendment omits the previous paragraph 3(2)(a) and substitutes new paragraphs 3(2)(a) and new subsection 3(2A) which have the effect of:

- . preventing producers from including research and development expenditure in factory cost from 1 July 1991;

- allowing producers to include in factory cost from 1 July 1991 losses incurred on the disposal of buildings, machinery, plant and equipment; and
- deducting from factory cost any amounts realised on the disposal of waste, and any profits realised on the disposal of buildings, machinery, plant or equipment.

Paragraph 3(3)(q)

This amendment removes the exclusion from factory cost of losses incurred on the disposal of buildings, machinery, plant or equipment. Such losses are now specifically included in factory cost in new paragraph 3(2A)(b).

Section 3AA

This amendment repeals section 3AA and removes the 30% uplift on factory cost of bounty for export sales.

Section 5

This amendment inserts a new subsection (5A) to provide that producers are not entitled to receive bounty in respect of bountiable yarn unless they have produced a quantity of bountiable yarn during the financial year commencing 1 July 1991 and then successive financial years, that would entitle them to \$10,000 in bounty payments in that particular financial year.

- the imposition and upgrading of thresholds is part of the Government's announcement in its 1991 Industry Statement to more effectively target bounty payments to those firms which make a commitment to the relevant industry and which are able to make a major contribution to the development of that industry.

Subparagraphs 6(1)(b)(ii), (iii) and (iv)

This amendment omits subparagraphs (ii), (iii) and (iv) and substitutes a new paragraph (ii) which specifies the bounty rate for the period 1 March 1989 to 1 July 1992 as 42.5%.

Subparagraphs 6(2)(e)(iv), (v) and (vi)

This amendment omits the subparagraphs and substitutes a new subparagraph (iv) which specifies the bounty rate for the period 1 March 1991 to 1 July 1992 as 34%.

Subparagraph 6(3)(b)(v) and (vi)

This amendment omits the subparagraphs and substitutes a new subparagraph (v) which specifies the bounty rate for the period 1 March 1992 to 1 July 1992 as 33%.

Subparagraphs 6(4)(d)(v) and (vi)

This amendment omits the subparagraphs and substitutes a new subparagraph (v) which specifies the bounty rate for the period 1 March 1992 to 1 July 1992 as 31%.

Subparagraph 6(5)(f)(v)

This amendment omits the subparagraph and substitutes a new subparagraph (v) which specifies the bounty rate for the period 1 March 1992 to 1 July 1992 as 30%.

Subsection 6(6)

This amendment omits the subsection and substitutes a new subsection (6) which specifies the bounty rates applicable under the scheme on or after 1 July 1992 and before 1 July 1995 in respect of the production of bountiable yarn during the relevant bounty period as follows:

- on or after 1 July 1992 and before 1 July 1993 - 30%
(new paragraph 6(6)(a));
- on or after 1 July 1993 and before 1 July 1994 - 22%
(new paragraph 6(6)(b)); and
- on or after 1 July 1994 and before 1 July 1995 - 15%
(new paragraph 6(6)(c)).

The percentage in each case is a percentage of the value added to the yarn by the producer.

Subsection 10(1)

This amendment omits the reference to subsection (2) as a consequence of the repeal of that subsection effected by the amendment outlined below.

Subsection 10(2)

This amendment repeals subsection (2) as a consequence of the insertion of a new subsection 5(5A) which introduces thresholds into the bounty scheme.

Bounty (Bed Sheeting) Act 1977

Subsection 4(3)

This amendment extends the life of the bounty from the 12 months from 1 March 1992 which is currently the case, to 1 July 1995. The amendment also effects a change with respect to the periods during which bounty is payable from periods of 12 months commencing on 1 March 1990, 1 March 1991 and 1 March 1992 to periods commencing at the start of each financial year through to 1 July 1994.

The initial period during which bounty is payable is 4 months in duration as the first step in moving to periods based on financial years.

Subsection 5(3)

This amendment inserts a new subsection (3A) to provide that manufacturers are not entitled to receive bounty in respect of bountiable bed sheeting unless they have produced a quantity of bountiable bed sheeting during the financial year beginning 1 July 1991 and then successive financial years, that would entitle them to \$100,000 in bounty payments in that particular financial year.

- . It should be noted that the figure of \$100,000 is an amount payable as bounty not the value of production and is an absolute figure. Any amount less than that figure would disentitle a manufacturer from payment of bounty.

- Manufacturers may still make periodic claims for advances on account of bounty under section 10 of the Act, which are recoverable by the Commonwealth under that section should the threshold requirement not be met.

Section 7

This amendment omits paragraph (b) and substitutes new paragraphs which specify the bounty rates applicable under the extended scheme in respect of the manufacture of bountiable bed sheeting completed during the relevant bounty periods, as follows:

- . 16 cents per square metre on or after 20 August 1986 and before 1 July 1993 (new paragraph 7(b)), which is the existing bounty rate;
- . 12 cents per square metre on or after 1 July 1993 and before 1 July 1994 (new paragraph 7(c)); and
- . 8 cents per square metre on or after 1 July 1994 and before 1 July 1995 (new paragraph 7(d)).
- This phasing down of the bounty rate takes into account the general tariff reduction program announced in the Government's 1991 Industry Statement.

Subsection 10A(1)

This amendment omits the reference to subsection (2) as a consequence of the repeal of that subsection effected by the amendment outlined below.

Subsection 10A(2)

This amendment repeals subsection (2) as a consequence of the insertion of a new subsection 5(3A) which introduced new thresholds into the extended bounty scheme.

Bounty (Books) Act 1986

Subsection 14(2)

This amendment omits \$500 and substitutes \$2000 as the minimum claim for bounty in respect of any production run of bountiable books to which the claim relates.

- The imposition and upgrading of thresholds is part of the Government's announcement in its 1991 Industry Statement to more effectively target bounty payments to those firms which make a commitment to the relevant industry and which are able to make a major contribution to the development of that industry.

Bounty (Computers) Act 1984

Subsection 3(1) (definition of "bountiable equipment")

This amendment inserts a new paragraph (eb) to extend bounty coverage to printed circuit boards.

Section 9

This amendment inserts a new subsection (3A) to provide that manufacturers are not entitled to receive bounty in respect of bountiable equipment unless they have produced a quantity of bountiable equipment during the financial year commencing 1 July 1991 and then successive financial years, that would entitle them to \$10,000 in bounty payments in that particular financial year.

- It should be noted that the figure of \$10,000 is an amount payable as bounty not the value of production and is an absolute figure. Any amount less than that figure would disentitle a manufacturer from payment of bounty.

- Manufacturers may still make periodic claims for advances on account of bounty under section 12 of the Act, which are recoverable by the Commonwealth under that section should the threshold requirement not be met.

Paragraphs 10(d) - 10(g)

This amendment omits current bounty rates and inserts new bounty rates on and from 1 July 1991 in respect of production of bountiable equipment during the relevant bounty periods, as follows:

- 14% of the value added to the equipment by the manufacturer from 1 July 1991 and before 1 July 1992 (paragraph 10(d));
- 12% of the value added to the equipment by the manufacturer from 1 July 1992 and before 1 July 1993 (paragraph 10(e));
- 10% of the value added to the equipment by the manufacturer from 1 July 1993 and before 1 July 1994 (paragraph 10(f));

8% of the value added to the equipment by the manufacturer from 1 July 1994 to 31 December 1995 (paragraph 10(q));

Subsection 13(1A)

This amendment repeals subsection (1A) as a consequence of the insertion of new subsection 9(3A) which introduces new thresholds into the bounty scheme.

Bounty (Metal Working Machines and Robots) Act 1985

The Long and Short Titles of the Act are amended by omitting the words 'metal working machines' and substituting the words 'machine tools'. This amendment will make the titles better reflect the purpose and scope of the Act.

Subsection 4(1)

This amendment omits the previous definitions of 'computer controlled machine' and 'numerically controlled machine' and substitutes new definitions to enable bounty to be paid in respect of machine tools which process not only metals, but also advanced materials.

In addition this provision also provides for the following amendments to definitions, and minor technical amendments consequential to these changes:

- 'advanced materials' are defined as engineering ceramics, engineering composites or engineering polymers;
- the definition of 'bountiable goods AB' is amended by omitting previous paragraphs (b) and (c) of the definition and substituting new paragraph (b) which further defines such goods by reference to Item 48 in Part III of Schedule 4 to the Customs Tariff Act 1987;
- the previous definition of the 'terminating day', which is the end of the period during which bounty is payable, is omitted and is replaced by a terminating day of 30 June 1997; and
- the previous definition of 'modification' is omitted and a new definition substituted which incorporates a declaration relating to subsection 4(1) made by the Minister under subsection 6(7) concerning such modification.

Subsection 7(2)

This amendment qualifies the power of the Minister to declare an increase in the minimum value added threshold imposed by new subsection 16(8A) to circumstances where he is satisfied that the increase is necessary to take account of inflation.

Section 8

The amendments to subsections 8(1), (3), (5), (6) and (7) are technical in nature, and remove references to rates of bounty which no longer apply.

Paragraphs 16(5)(c), 16(8)(e) and 16(8)(f)

These provisions amend the conditions which must be satisfied in respect of bountiable equipment before bounty is payable, by removing eligibility for equipment produced for 'in-house' use, and extending eligibility to all equipment produced for export;

- previously equipment produced for in-house use was eligible for bounty, however such production (which is only peripheral to a firm's main business) discourages the use of specialist producers who have a commitment to the industry and leads to inefficiencies. Similarly, the extension of bounty to production of all goods for export, and not merely bountiable equipment AA which was previously the case, will remove distortions in the industry. These amendments, which mean that bounty will not be paid unless equipment is sold or exported, will increase the efficiency and competitiveness in the market place of participants in those industries.

- It is important to note that as a result of these amendments the criteria for eligibility for bounty in respect of bountiable equipment AA now provides that bounty is payable only on the sale or disposal of such equipment, and not merely manufacture as was previously the case.

Subsection 16(8A)

This amendment imposes a new minimum threshold of \$200,000 of value added to bountiable production per annum from 1 July 1991 before any bounty is payable. This threshold can be increased to account for inflation under new subsection 7(2A). A manufacturer of bountiable equipment who satisfies all other eligibility requirements will not be entitled to claim bounty in respect of bountiable equipment unless in the year in which the equipment was produced the value added threshold was met. Manufacturers may still make periodic claims for advances on account of bounty under section 20 of the Act, which are recoverable by the Commonwealth should the threshold requirement not be met.

Section 17

The amendments to section 17 remove from the Act certain bounty rates which are no longer applicable, and inserts a new table which specifies the bounty rates applicable under the scheme. In particular:

- paragraph 17(1)(a) is omitted as a consequence of the specification of the new bounty rates;
- paragraph 17(1)(b) is amended to limit the applicability of 'prescribed percentage 2' (the existing bounty rate) to production before 1 July 1991;

- new paragraph 17(1)(c) specifies the bounty rates for bountiable equipment AA sold on or after 1 July 1991 as the rate appearing in column 2 of the table inserted in new subsection 17(4A);
- new subsection 17(1A) is a transitional provision which prevents manufacturers of bountiable equipment AA who had been paid bounty on the manufacture of that equipment prior to 1 July 1991 from receiving further bounty on that equipment if it is sold after 1 July 1991;
- (new subsection 16(5)) alters the time at which eligibility for bounty on bountiable equipment AA crystallises from manufacture prior to 1 July 1991, to sale or export after that date;
- paragraph 17(2)(f) is omitted as a consequence of the specification of the new bounty rates;
- paragraph 17(2)(g) is amended to limit the applicability of 'prescribed percentage 3' (the existing bounty rate) to production before 1 July 1991;
- paragraph 17(2)(h) specifies the bounty rates for the retrofit manufacture of certain bountiable equipment produced on or after 1 July 1991 as the rate appearing in column 3 of the table inserted in new subsection 17(4A);
- paragraph 17(3)(a) is omitted as a consequence of the specification of the new bounty rates;
- paragraph 17(3)(b) is amended to limit the applicability of 'prescribed percentage 3' (the existing bounty rate) to production before 1 July 1991;
- paragraph 17(3)(c) specifies the bounty rates for the retrofit manufacture of certain bountiable equipment produced on or after 1 July 1991 as the rate appearing in column 3 of the table inserted in new subsection 17(4A);
- new paragraph 17(4)(a) is omitted as a consequence of the specification of the new bounty rates;
- paragraph 17(4)(b) is amended to limit the applicability of 'prescribed percentage 3' (the existing bounty rate) to production before 1 July 1991;
- new paragraph 17(4)(c) specifies the bounty rates for the retrofit manufacture of certain bountiable equipment produced on or after 1 July 1991 as the rate appearing in column 3 of the table inserted in new subsection 17(4A);
- new subsection 17(4A) inserts the table which specifies the bounty rates in respect of bountiable production. Column 1 specifies the financial year for which the particular rates apply, Columns 2 and 3 specify the rates applicable to bountiable production during that year; Column 2 is the bounty rate applicable to the production of Advanced

equipment, Column 3 is the rate bounty rate applicable to the production of Standard equipment; and

subsection 17(5) is amended by omitting the references to "prescribed percentage 1" and "prescribed percentage 3" which are no longer applicable.

Section 21

This amendment is technical in nature and is consequential on the introduction of new eligibility criteria outlined in the amendments to subsection 16(5).

Bounty (Printed Fabrics) Act 1981

Subsection 2(1) (definition of "Bounty period")

This amendment omits all words after "ending on 30 June 1995" to ensure that the current bounty scheme terminates on that date and cannot be extended by Gazettal.

Subsection 5(4)

This amendment inserts a new subsection (4A) to provide that producers are not entitled to receive bounty in respect of bountiable printed fabric unless they have produced a quantity of bountiable printed fabric during the financial year commencing 1 July 1991 and then successive financial years, that would entitle them to \$10,000 in bounty payments in that particular financial year.

The imposition and upgrading of thresholds is part of the Government's announcement in its Industry Statement to more effectively target bounty payments to those firms which make a commitment to the relevant industry and which are able to make a major contribution to the development of that industry;

It should be noted that the figure of \$10,000 is an amount payable as bounty not the value of production and is an absolute figure. Any amount less than that figure would disentitle a manufacturer from payment of bounty.

Manufacturers may still make periodic claims for advances on account of bounty under section 8 of the Act, which are recoverable by the Commonwealth under that section should the threshold requirement not be met.

Paragraph 6(b)

This amendment omits subparagraphs (v), (vi), (vii) and (viii), and substitutes new subparagraphs which specify the bounty rates applicable under the scheme on after 1 March 1992 in respect of the production of bountiable printed fabric during the relevant bounty periods, as follows:

on or after 1 March 1992 and before 1 July 1992 - 41% (new paragraph 6(b)(v));

- on or after 1 July 1992 and before 1 July 1993 - 30% (new subparagraph 6(b)(vi));
- on or after 1 July 1993 and before 1 July 1994 - 23% (new subparagraph 6(b)(vii)); and
- on or after 1 July 1994 and before 1 July 1995 - 15% (new subparagraph 6(b)(viii)).

- As with the amendments to the periods during which bounty is payable under the Bounty (Bed Sheeting) Act 1977, the amendments to paragraph 6(b) also serve to change the bounty period from years beginning 1 March to a financial year basis.

Subsection 10(1)

This amendment omits the reference to subsection (2) as a consequence of the repeal of that subsection effected by the amendment outlined below.

Subsection 10(2)

This amendment repeals subsection (2) as a consequence of the insertion of a new subsection 5(4A) which introduces new thresholds into the bounty scheme.