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AGRICULTURAL TRACTORS BOUNTY AMENDMENT BILL 1977

Date Introduced: 31 March 1977
House: House of Representatives
Presented by: The Honourable J.W. Howard,
Minister for Business and Consumer Affairs

Short Digest of Bill

Purpose

To amend the Agricultural Tractors Bounty Act 1966 to restructure and extend the period of bounty assistance for the manufacture in Australia of wheeled tractors.

Main Provisions

The new amounts of bounty, according to engine output and period of manufacture, are set out in Clause 12 which substitutes a new Schedule to the Principal Act.

The bounty is to be phased down over three periods with the range shown in the table below for tractors of 100 per cent Australian factory content. —

Engine Output	Period of Manufacture of Tractor		
	1 Jan 1977 to 31 Dec 1979	1 Jan 1980 to 31 Dec 1981	1 Jan 1982 to Terminating Date
Lowest, 15 kW.	\$549	\$457	\$366
Highest, 105 kW.	\$3,713	\$3,126	\$2,442

The terminating date is 31 December 1984 or such later date as is fixed by Proclamation (clause 3, amending section 3).

The prescribed bounty amounts may be increased by a factor to be fixed by regulation (clause 6(a), sub-section 6(1A)). According to the Minister's Second Reading Speech, the factor will be determined so as to preserve parity between the bounty and the Reserve Bank Import Price Index (Machinery Except Electric Group).

The reduction in bounty payable as local content of factory cost falls has been changed from '1½ percent for every percent the local content is less than 90 percent' to '1 percent for every percent local content is less than 100 percent' (clause 6(b) substituting new sub-section 6(3)). Under an existing provision of the Principal Act (sub-section 6(4)), no bounty is payable where local content falls below 55 percent.

Agricultural Tractors Bounty Amendment Bill 1977 (Bills Digest 16, 1977)
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In calculating the percentage content of the factory cost of the tractor that was produced locally, costs of tyres, tubes and certain accessories are to be disregarded (clause 6(d), new sub-section 6(7)).

See Notes on Clauses provided by the Minister for other provisions.

Background

(a) Tractor Industry

The industry, which has received bounty assistance for more than 50 years, consists of two manufacturers, one in Western Australia and the other in Victoria.

Bounty payments in 1974–75 totalled \$4.4 million which was nearly \$1,300 per tractor. In 1975 local manufacturers sold 3,438 tractors, which is about 20 percent of the total market, and employed approximately 1,600 persons.

(b) IAC Report

This Bill implements the main recommendations of the Industries Assistance Commission contained in its report No. 81 of 19 February 1976 “Agricultural Tractors”.

The IAC recommended that the bounty scheme be restructured so as to phase in a generally lower but more uniform rate of assistance, equivalent to an effective rate of about 25 percent, with big reductions in the dollar value of subsidy for lower output tractors but increases for the larger tractors, particularly in the first stage. The existing scheme, on the other hand, provides the highest effective rate of protection for the production of light tractors in which Australian manufacturers are facing declining demand and a relatively large cost disability.

The recommended scheme gives less incentive to increase local content up to 90 percent (of generally higher cost local parts) and removes the present bias towards a 90 percent local content level.

The bounty rates recommended for the first three years are approximately equal on average to current rates, with an estimated cost of \$5 million in each of the first three years. Estimated cost in each of the following two years is about \$4 million, and thereafter about \$3 million per year in current prices).

Review of the industry within eight years was suggested by the I.A.C.

The I.A.C.’s recommendation that the new scheme be made retrospective to 1 January 1976 was not accepted.

18 April 1977

Finance, Industries, Trade and Development Group
LEGISLATIVE RESEARCH SERVICE

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