

# WORLD TRADE ORGANIZATION

RESTRICTED

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**Committee on Subsidies and Countervailing Measures**

Original: English

## SUBSIDIES

### Notifications Pursuant to Article XVI:1 of the GATT 1994 and Article 25 of the Agreement on Subsidies and Countervailing Measures

## AUSTRALIA

The following communication, dated 7 August 1995, has been received from the Permanent Mission of Australia.

In view of the decision taken by the CONTRACTING PARTIES of the GATT 1947 on Avoidance of Procedural and Institutional Duplication (L/7582, dated 13 December 1994) this notification is deemed to be also a notification under Article XVI:1 of the GATT 1947.

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Products subject to subsidy measures as at 30 June 1995.

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I. BED-SHEETING1. Nature and Extent of Bounty(a) Background and Authority

The Bounty (Bed-Sheeting) Act 1977 provided for the payment of a bounty on certain bed sheeting. It commenced operation on 1 January 1977, but was extended retrospectively to bountiable products produced after 1 September 1976.

The bounty terminates on 30 June 1995.

(b) Incidence

The Bounty was payable on certain polyester cotton bed sheeting woven, printed and made up into bed linen by the manufacturer. The maximum payment in any twelve-month period (defined as 1 November to 31 October) was \$A 600,000 until 28 February 1989. The annual limit in cash outlays to manufacturers was increased to \$A 3.2 million with effect from 1 March 1989. The bounty was not payable on exported bed sheeting.

(c) Amount of Bounty Paid

Year <sup>1</sup>	\$A '000
1991/92	2,568.0
1992/93	2,352.7
1993/94	1,765.8

(d) Rate of bounty

The bounty was payable to the manufacturer at the rate of 8 cents per square metre of printed sheeting used in the manufacture of bed linen.

2. Effect of Bounty(a) Trade Effects

This bounty improved the competitive position of the local manufacturer.

(b) Statistics

Trade statistics relating to bed sheeting are not separately recorded.

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<sup>1</sup>Unless otherwise indicated financial years throughout this notification begin on 1 July and finish on 30 June.

## II. BOOKS

### 1. Nature and Extent of Bounty

#### (a) Background and Authority

The Bounty (Books) Act 1986, which commenced on 1 January 1987 and has been extended to expire on 31 December 1997, provides for a reducing rate of bounty.

#### (b) Incidence

Bounty is payable on approved books manufactured in Australia. To be eligible for bounty, books must in general be at least 49 pages and be produced in a minimum run of 1,000 copies.

#### (c) Amount of Bounty Paid

Year	\$A '000
1991/92	21,536
1992/93	21,395
1993/94	22,274

#### (d) Rate of Bounty

The bounty is payable to manufacturers as a percentage of the total cost of producing the book. The rate has been reduced over the life of the Act as follows:

1 January 1987 - 31 December 1988:	20%
1 January 1989 - 31 December 1989:	18%
1 January 1990 - 31 December 1990:	16%
1 January 1991 - 31 December 1991:	14%
1 January 1992 - 31 December 1993:	13.5%
1 January 1994 - 31 December 1994:	10.8%
1 January 1995 - 31 December 1995:	9.0%
1 January 1996 - 31 December 1996:	7.2%
1 January 1997 - 31 December 1997:	4.5%

### 2. Effect of Bounty

#### (a) Trade Effects

The bounty has improved the competitive position of Australian book manufacturers against duty-free imports.

(b) Statistics

Year	Imports (\$A '000)	Exports <sup>2</sup> (\$A '000)
1991/92	509,859	91,777
1992/93	501,318	100,878
1993/94	508,540	86,158

III. CITRIC ACID1. Nature and Extent of Bounty(a) Background and Authority

The Bounty (Citric Acid) Act 1991 came into effect on 12 March 1991 and is due to terminate on 1 January 1996.

(b) Incidence

The bounty is payable on citric acid produced in Australia through the fermentation of carbohydrates in air lift fermenters.

(c) Amount of Bounty Paid

By June 1994 payments of around \$A 1.5 million had been made. In May 1994 the sole recipient of the bounty ceased production and it is unlikely that a new recipient will emerge prior to the termination of the Bounty on 31 December 1995.

(d) Rate of Bounty

Period	Rate (\$A per tonne)
1 July 1993 - 30 June 1994	350
1 July 1994 - 30 June 1995	250
1 July 1995 - 31 December 1995	150

2. Effect of Bounty(a) Trade Effects

The bounty was introduced to support the commercialization of leading edge Australian fermentation technology. Distortions arising from international agricultural and industry support measures

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<sup>2</sup>Total Australian Produce - these figures include all books, not only those subject to bounty.

were preventing the commercialization of this technology in Australia. Only relatively small quantities of citric acid have been produced under the bounty and this has been for the domestic market only.

(b) Statistics

Statistical data is not available due to commercial confidentiality.

IV. COMPUTERS

1. Nature and Extent of Bounty

(a) Background

The Bounty (Computers) Act 1984 provides for the payment of bounty on the manufacture of certain computer hardware on which no duty is applied under the Australian Customs Tariff. The introduction of the bounty coincided with the removal of customs duties from the goods covered.

The bounty is phasing down to maintain a similar effective rate of assistance for manufacturers of bountiable goods as that provided to manufacturers of general goods through reducing tariff levels.

The Act commenced on 6 July 1984 and is due to terminate on 31 December 1995.

(b) Incidence

The bounty is payable on computer equipment and components produced in Australia which, *inter alia*, can include microprocessor based controllers and regulators, modems and multiplexors, integrated circuitry, hybrid circuits, printed circuit boards, keyboards and computer casings.

(c) Amount of Bounty Paid

Year	\$A '000
1991/92	74,489
1992/93	74,974
1993/94	77,999

(d) Rate of Bounty

Before 6 July 1990 the bounty was payable to the manufacturer at the rate of 20 per cent of the in-house value added (rate progressively reducing to 8 per cent by 1994) of the manufacturer and

on certain sub-contracted activities such as research and development and operating software development. The bounty rate is reducing as follows:

17 per cent in 1990/91  
14 per cent in 1991/92  
12 per cent in 1992/93  
10 per cent in 1993/94  
8 per cent in 1994/95 until 31 December 1995

2. Effect of Bounty

(a) Trade Effects

The bounty enables local manufacturers and assemblers of computers and specific related hardware to have access to Australian produced equipment and components at close to world prices and it encourages continued investment in these facilities in Australia.

(b) Statistics

Statistics are not separately available.

V. DAIRY PRODUCTS

1. Nature and Extent of Assistance

(a) Background and Authority

Under the Dairy Produce Act 1986, the Dairy Produce Levy (No. 1) Act 1986 and Dairy Produce Levy (No. 2) Act 1986, a market support scheme was introduced in 1986 and continued under the 1992 Dairy Plan. The Dairy Plan was terminated on 30 June 1995.

The market support scheme was delivered through an export support payment (ESP) to manufacturers on export and was funded by a statutory levy on all milk produced. The ESP forced up the price of domestic product to the export parity price plus the ESP per kg., thereby creating a monetary transfer from consumers to manufacturing milk producers. The ESP was effectively recycled to manufacturing milk producers along with the consumer transfer in the price paid by the manufacturer for milk to the producer. Manufacturers therefore operated at export parity pricing without subsidy.

Although effectively a domestic market support scheme delivered through a recycled ESP, the scheme was classified as an "export subsidy" subject to reduction commitments under the WTO Agriculture Agreement. It was terminated on 30 June 1995 and has been replaced by a clearly identifiable domestic market support scheme.

(b) Incidence

As noted above, the ESP was funded by a levy paid by producers on all milk produced and paid to manufacturers on production of evidence of export at rates determined annually by the Australian Dairy Corporation for the various dairy products, having regard to estimated milk production, world prices, export and legislated limits. The ESP was effectively pre-paid to manufacturing milk producers in the price paid for milk delivered to the manufacturers.

(c) Amount of Subsidy

The all milk levy raised \$A 154 million in 1993-94 and the final amount for 1994-95 is expected to be about \$A 155 million, being lower than would be expected due to lower milk fat content under drought conditions.

(d) Estimated amount per unit

The ESP rates for 1994-95 were:

Item	\$A/tonne
Cheddar	355
Butter	296
SMP	285
WMP	301

2. Effects of Subsidy

(a) Trade Effects

The measures have benefitted domestic production of dairy products, but the trade effects are unquantifiable given the nature of the measures.

(b) Statistics

PRODUCTION 1991-92 TO 1993-94  
(Thousand Tonnes)

Year	Butter	Cheese	Cream	Condensed milk	Casein	Skim milk powder (a)	Whole milk powder	Butter milk powder	Milk food based preparations
1991/92	108	198	206	89	4	147	69	11	30
1992/93	127	211	225	104	5	166	80	13	n.a.*
1993/94	143	234	212	107	3	207	93	15	n.a.*

Source: Australian Dairy Corporation (ADC)

(a) Includes skim and buttermilk powder mixes

\* This series, which included Infant Powder/Invalid Products, was collected by the Australian Bureau of Statistics (ABS). The ABS ceased collection of these statistics in 1992.



## VI. MACHINE TOOLS AND ROBOTS

### 1. Nature and Extent of Bounty

#### (a) Background and Authority

The Bounty (Metal Working Machines and Robots) Act replaced the Bounty (Metal-Working Machine Tools) Act 1978. The Act was amended in 1991 to become the Bounty (Machine Tools and Robots) Act 1985, and is due to terminate on 30 June 1997.

#### (b) Incidence

The Act provides for payment of bounties on locally manufactured items including metal-working machines, robots, certain other advanced metal-working machinery, parts and accessories. Machine modification activities may also qualify for bounty assistance.

The bounty is paid at two rates; a higher rate for advanced machinery and a lower one for standard machinery.

Under the existing arrangements, higher bounties are payable on advanced technology items.

#### (c) Amount of Bounty Paid

Year	\$A '000
1991/92	15,961
1992/93	8,557
1993/94	8,421

#### (d) Rate of Bounty

Bounty is paid as a percentage of the value-added component undertaken by a company. The two separate rates for advanced and standard machines are being phased down to a single rate of 5 per cent for all machines. The rates of bounty payments are as follows:

1 July 1991 to 30 June 1992	24.0%	20.0%	of value added
1 July 1992 to 30 June 1993	20.0%	17.0%	
1 July 1993 to 30 June 1994	16.0%	14.0%	
1 July 1994 to 30 June 1995	12.0%	11.0%	
1 July 1995 to 30 June 1996	8.0%	8.0%	
1 July 1996 to 30 June 1997	5.0%	5.0%	

### 2. Effect of Bounty

#### (a) Trade Effects

The bounty is designed to encourage local production of metal-working machine tools by improving competitiveness against imports, without increasing the cost structure of user industries.

(b) Statistics

Few relevant statistics are separately recorded but infrequent surveys indicate that Australian manufacturers have 20 per cent of the domestic market for machine tools (which in total is around \$A 800 million annually although with sharp fluctuations).

VII. PRINTED FABRICS1. Nature and Extent of Bounty(a) Background and Authority

The Bounty (Printed Fabrics) Act 1981 came into effect on 1 January 1982. The Act terminated on 30 June 1995.

(b) Incidence

The bounty is payable upon mechanical printing of certain lightweight textile fabrics that are suitable for making up into garments in Australia and are woven from wool, cotton, silk or synthetic fibre yarns.

(c) Amount of Bounty Paid

Year	\$A'000
1991/92	2,803
1992/93	1,490
1993/94	670

(d) Rate of Bounty

From 1 January 1982 to 19 August 1986 payment to the printer was made at the rate of 70 per cent of the value added to the fabric by the printer. From 20 August 1986 to 28 February 1989 the rate of bounty was 56 per cent. From 1 March 1989 the rate of bounty was 53 per cent and is to phase down to 15 per cent on 1 July 1994. The bounty was terminated on 30 June 1995.

2. Effect of Bounty(a) Trade Effects

The bounty is intended to accord reasonable protection to local fabric printers without increasing costs to garment manufacturers.

(b) Statistics

The relevant statistics are not separately recorded.

## VIII. SHIPBUILDING

### 1. Nature and Extent of Bounty

#### (a) Background and Authority

The Bounty (Ships) Act 1989 came into effect on 1 July 1989 providing for a phase down of bounties to shipbuilders. It replaced the Bounty (Ships) Act 1980 following a review of the shipbuilding bounty scheme by the Industries Assistance Commission in 1988. Amendments to the Act in 1993 varied the bounty phasedown schedule and extended the period of operation of the Act by two years to 30 June 1997.

#### (b) Incidence

Bounties are payable to registered shipbuilders for the construction and modification of bountiable vessels. Bountiable vessels, as defined in the legislation, are vessels of a size between 150 and 20,000 gross construction tons which are navigable and have a means of propulsion. Modifications are required to exceed \$A 1 million in construction costs to be eligible for the bounty. Ship repair activities are not bountiable.

#### (c) Amount of Bounty Paid

Year	Bounty Paid Under Bounty (Ships) Act \$A million
1991/92	24.36
1992/93	24.24
1993/94	25.93

#### (d) Rate of Bounty

The amendment to the legislation in 1993 aligned the rate of shipbuilding bounty to the phasedown of general manufacturing industry tariffs. The rates correspond with the tariff reductions set down in the Government's Statement 'Building a Competitive Australia' of 12 March 1992. The bounty rates are 8 per cent for 1994/95, 7 per cent for 1995/96 and 5 per cent for 1996/97.

### 2. Effect of Bounty

#### (a) Trade Effects

The bounty enables Australian shipbuilders to be more competitive in the Australian market against import competition.

#### (b) Statistics

Relevant statistics are not separately recorded.

IX. TEXTILE YARNS1. Nature and Extent of Bounty(a) Background and Authority

The Bounty and Capitalization Grants (Textile Yarns) Act 1981 which came into effect on 1 January 1982 superseded the Bounty (Polyester-Cotton Yarn) Act 1978 which was terminated on 31 December 1981. The Act was amended in June 1990 to introduce a Capitalization Grants Scheme.

This Act terminated on 30 June 1995.

(b) Incidence

The bounty was payable upon production of certain yarns, spun from certain textile fibres, and used to produce, in Australia, yarns, other textiles, or products made wholly or partially therefrom. Alternatively, eligible yarn bounty recipients were able to capitalize projected bounty receipts to June 1995 provided that savings to Australian Government outlays were achieved. The acceptance of such grants automatically disentitled applicants from textile yarn bounty payments. Applications for a Capitalization Grant closed on 31 December 1991.

(c) Amount of Bounty Paid

Year	\$A'000
1991/92	90,182
1992/93	46,537
1993/94	20,980

(d) Rate of Bounty

The rates of bounty applying from 1982 were complex, and phasing down. Since 1 July 1992 the rates for all yarns were made the same:

1 July 1992 - 30 June 1993	30%
1 July 1993 - 30 June 1994	22%
1 July 1994 - 30 June 1995	15%

2. Effect of Bounty(a) Trade Effects

The bounty was intended to accord reasonable protection to yarn spinners without increasing costs to weavers and knitters.

(b) Statistics

The definition of bountiable items precluded collection of comparable statistics for production and trade.