SUBSIDIES

Notifications by contracting parties

Addendum

There is attached hereto the notification submitted by the Government of:

AUSTRALIA

The Government of Austria has notified the secretariat that document COM.II/2(a) contains a complete list of the subsidies at present being granted in Austria. A notification is therefore not considered to be necessary.

The Government of Pakistan has notified that it does not "grant or maintain subsidies falling under the purview of Article XVI".
AUSTRALIA

Notification of 25 March 1959

(The present notification replaces earlier notifications reproduced in the following documents: GATT/CP/114 and Corr.1, G/4/Add.3, L/91/Add.1, L/223, L/351/Add.2, L/480/Add.5 and 7, L/660/Add.3, L/880)

A. SUBSIDIES PREVIOUSLY NOTIFIED

I. AIR FREIGHT ON CERTAIN BEEF

1. Nature and extent of the subsidy:

   (a) Background and authority

   A subsidy has been paid since 1951 on beef which is slaughtered and transported by air from the Glenroy abattoir of Air Beef Pty.Ltd. in the remote and little developed Kimberley region of North Western Australia. The subsidy has been paid in order to test the economics of the transport of beef by air and to assist in the development of the beef cattle industry in North Western Australia.

   (b) Incidence

   The subsidy is paid to the company concerned on the quantity of beef air-freighted from the Glenroy abattoir.

   (c) Amount of subsidy

   Expenditure on the subsidy in the year 1958 was £9,000 on 600 tons beef.

   (d) Amount per unit

   The rate of subsidy for the 1958 season was one and one-half pence per pound.

2. Effect of subsidy:

   The effect of the subsidy on total Australian exports of beef (125,000 tons in 1957-58) is negligible. In the absence of the subsidy cattle would be driven overland to Wyndham Meat Works.
II. CELLULOSE ACETATE FLAKE

1. Nature and extent of the subsidy:

(a) Background and authority

The payment of a bounty on the production of cellulose acetate flake was introduced by the Cellulose Acetate Flake Bounty Act 1956-68 following investigation by the Tariff Board. In the course of the enquiry it was found that the newly established industry had reached a stage where production was efficient and had sound economic prospects and that assistance was warranted, the most appropriate form being by way of a bounty rather than customs duties. The bounty is payable on sales up to 30 June 1959. The question of further assistance to the industry is being considered following enquiry and report by the Tariff Board.

(b) Incidence

A bounty of 10 pence per pound is paid to the producer of cellulose acetate flake sold and for use in the manufacture, in Australia, of cellulose acetate rayon yarn.

(c) Amount of subsidy

Bounty is limited to not more than £142,000 on sales in a particular year. Expenditure on the bounty in 1957-58 amounted to £10,650.

(d) Amount per unit

Ten pence per pound.

2. Effect of the subsidy:

Australian capacity for the production of cellulose acetate flake is regarded as being sufficient to satisfy Australian requirements for the next few years.

III. COPPER

1. Nature and extent of the subsidy:

(a) Background and authority

Under the Copper Bounty Act 1958 assistance is given to the copper mining industry by means of a bounty. In addition assistance is provided by the Customs Tariff. Customs duties
operative from 15 May 1958, are designed to ensure a minimum Australian price of refined copper of about £285 per ton. Tariff protection is supplemented by a bounty of not more than £45 per ton payable, subject to certain conditions, on copper sold for use on the Australian market. The bounty will operate from 19 May 1958, to 30 June 1960.

(b) Incidence

Bounty, up to a maximum rate of £45 per ton is payable on the refined copper content of ore or concentrates, mined in Australia, delivered to a copper smelter and sold for use in Australia as refined copper. The rate of bounty is to be reduced by £1 per ton for each £1 per ton by which the Australian equivalent of the overseas price for electrolytic copper wire bars exceeds £A.275 per ton. (The difference of £10 between the minimum domestic price of about £285 per ton and the overseas price equivalent of £A.275, adopted as a basis for bounty calculations, allows for overseas freight and landing charges.)

(c) Amount of subsidy

During 1958-59 the bounty to be paid is estimated at £1.25 million.

(d) Amount per unit

Maximum rate of bounty is to be £45 per ton subject to a reduction of £1 per ton for each £1 per ton by which the Australian equivalent of the overseas price of electrolytic copper wire bars exceeds £A.275 per ton. Bounty payments are subject to a profit limitation test of 10 per cent on the capital used by the producer in the production of copper for home consumption.

2. Effect of the subsidy:

The bounty is to assist major Australian copper producers to remain in operation. Bounty is not payable on exports.
IV. COTTON

1. Nature and extent of the subsidy:

(a) **Background and authority**

A bounty is paid under the Cotton Bounty Act 1951–1958 on the production of cotton in Australia in order to foster the development of the local cotton growing industry. The bounty is payable on seed cotton delivered by growers to processors before 31 December 1963.

(b) **Incidence**

Bounty is payable to the processor of the cotton, who is required to distribute it under specified conditions to the producers of the cotton. The rate of bounty paid is the amount by which the average price to the growers is less than fourteen pence per pound.

(c) **Amount of the subsidy**

The cost of the bounty for the 1958 season is not yet available. In the 1957 season the cost was £76,324.

(d) **Estimated amount per unit**

During the 1957 season the average rate of the bounty was 5.4 pence per pound of seed cotton.

2. **Effect of subsidy:**

In 1957–58 bounty was paid on 3.41 million pounds of seed cotton from which approximately 1.34 million pounds of raw cotton was produced.

The proportion of locally produced to imported raw cotton is small and the assistance given to the local industry by the cotton bounty is unlikely to affect imports in the near future. Locally grown cotton represents less than 4 per cent of total cotton usage in Australia.
v. DAIRY PRODUCTS

1. Nature and extent of the subsidy:

(a) Background and authority

The Dairy Industry Act 1957 provides for the payment of a bounty on butter and cheese for a period of five years from 1 July 1957.

(b) Incidence

By means of local price fixation and payment of bounty, the objective is to give dairy farmers a return based on the ascertained cost of efficient production of butterfat in respect of butter and cheese consumed in Australia plus 20 per cent of those quantities. The addition of the margin of 20 per cent is intended to ensure that adequate supplies for local consumption will be available every year notwithstanding any adverse seasonal conditions that may occur.

(c) Amount of subsidy

The fixed amount determined for 1958-59 is £13.5 million.

(d) Estimated amount per unit

On sales for domestic consumption only, the amount per unit of subsidy required to give farmers the objective return is 7½ pence per lb. for butter and 3½ pence per lb. for cheese in 1958-59.

2. Effect of subsidy:

The subsidy is one that is primarily directed to butter and cheese consumed locally. Its main effect is to reduce the price of butter and cheese to the Australian consumer and, at the same time, to provide an assured return to the producer to the extent mentioned in (b) above.

This system for the stabilization of prices and returns to producers results at times in the sale of the commodity for export at a price either higher or lower than the price for the commodity to buyers in the domestic market.
3. **Minimum price guarantee**

The Commonwealth Government has underwritten a minimum return to factories to permit an average payment to producers of 40d. per lb. commercial butter basis for the 1958-59 season's production of butter and cheese. This will not require any subsidy additional to the £13.5 million mentioned above.

In the past producers received interim payments from factories in anticipation of realizations from the sale of butter and cheese. The purpose of the arrangement now introduced is to enable factories to advance a greater part (up to 40d. per lb. commercial butter basis) of the anticipated return to the producers, before full realizations from export butter and cheese come to hand.

VI. **FLAX FIBRE**

1. **Nature and extent of the subsidy:**

   (a) **Background and authority**

   The Flax Fibre Bounty Act 1954-57 authorizes payment of a bounty on flax fibre produced and sold in Australia up to 31 October 1960.

   (b) **Incidence**

   Bounty is payable to the producer of flax fibre manufactured for local delivery from flax grown in Australia. An instrumentality of the Commonwealth is the largest manufacturer, accounting for about 80 per cent of the total output of flax fibre. However, the Commonwealth Government has announced its intention of withdrawing from the field of flax fibre production, at the earliest opportunity.

   (c) **Amount of the subsidy**

   Expenditure on the bounty in 1957-58 was £62,348.

   (d) **Estimated amount per unit**

   The rate of bounty varies inversely with movements in the landed cost of imported fibre. The maximum rate of bounty payable on flax fibre sold on or after 1 November 1958 and before 1 November 1959, is £70 per ton and is calculated, subject to limits, to give producers a return of £365 per ton. For the period 1 November 1959 to 31 October 1960, the maximum rate of bounty will become £65 per ton.
2. Effect of the subsidy:

The average Australian demand for flax fibre is estimated to be about 2,000 tons per annum of which the local industry has capacity to produce approximately 1,500 tons. In view of the smallness of Australian requirements for flax fibre, the effect of the bounty on international trade would be negligible.

VII. RAYON YARN

1. Nature and extent of the subsidy:
   (a) Background and authority

   The Rayon Bounty Act 1954-56 provides for payment of a bounty on continuous filament acetate rayon yarn produced and sold in Australia up to 30 June 1959.

   (b) Incidence

   The bounty is payable to the producer of rayon yarn sold for delivery in Australia.

   (c) Amount of the subsidy

   The amount of bounty paid in 1957-58 was £86,871.

   (d) Amount per unit

   Six pence per pound of yarn.

2. Effect of the subsidy:

   The capacity of the Australian industry is expected to be sufficient to fully satisfy local requirements for continuous filament acetate rayon yarn.

VIII. SHIPBUILDING

1. Nature and extent of the subsidy:
   (a) Background and authority

   Under a scheme for maintaining an effective shipbuilding industry in Australia, the Commonwealth Government subsidizes the industry by meeting portion of the cost of approved merchant ships built in Australia for use in the Australian trade.
2. Effect of subsidy:

It is difficult to assess the effects of the subsidy on imports of ships other than those built for the Commonwealth Authority but it is not considered to be large. The amount of ship construction undertaken in Australia and overseas on account of Australian private shipowners in recent years has been small.

IX. SUGAR

1. Nature and extent of the subsidy:

(a) Background and authority

A scheme for regulating the production and marketing of cane sugar and certain products made from cane sugar, as a means of stabilising returns to sugar growers, is provided in legislation enacted by the Commonwealth and Queensland Parliaments.

(b) Incidence

When the world parity price for sugar is less than the price of Australian sugar fixed under the scheme, price rebates equal to the difference between the two prices are granted to exporters on the sugar content of fruit products and other approved manufactured products exported from Australia.
(e) **Amount of subsidy**

The cost of the rebates, estimated at £248,000 in 1957-58, is borne by the Australian sugar producing industry.

(d) **Amount per unit**

The average rate of export rebate per ton of sugar content in 1957-58 was approximately £16.0.0.

2. **Effect of subsidy:**

The export sugar rebate is not intended to increase exports or decrease imports in the manner described in Article XVI but is granted so that exporters of approved products containing sugar will not be at a disadvantage by reason of the Australian price of sugar being fixed at a level higher than the world price.

X. **SULPHURIC ACID**

1. **Nature and extent of the subsidy:**

(a) **Background and authority**

Provision is made in the Sulphuric Acid Bounty Act 1954-57 for the payment of bounty on the production of sulphuric acid from materials of Australian origin. The need for increasing the proportion of acid produced from local materials arose from the uncertainty of obtaining supplies of imported brimstone and the possible serious effects of any subsequent shortages of brimstone on the production of fertilizers and other commodities essential to the Australian economy. The bounty is payable up to 30 June 1959.

(d) **Incidence**

The bounty is payable to the producer of sulphuric acid manufactured from lead sinter gas and pyrites of Australian origin provided it is sold for delivery in Australia or for use by the producer for manufacturing purposes in Australia. The rate of bounty is to be determined according to landed duty-free cost of imported brimstone. The bounty is £2 per ton when landed cost of imported brimstone is £20.10.0 per ton and rises or falls in inverse proportion to variations in the cost of brimstone. Bounty is not to exceed £4 per ton and ceases when the cost of brimstone rises to £25.10.0 per ton.
(c) **Amount of the subsidy**

In 1957-58 the total bounty paid was £708,654 on 361,734 tons of acid produced.

(d) **Estimated amount per unit**

The rate per unit varies as described in sub-paragraph (b) above. In 1957-58 the rates were: 1st quarter £1.9.6.; 2nd quarter £2.1.9.; 3rd quarter £2.12.3.; and 4th quarter £2.19.3.

2. **Effect of the subsidy:**

The bounty is intended to foster the production of sulphuric acid from indigenous materials which is in addition to production from imported brimstone.

**XI. TRACTORS**

1. **Nature and extent of the subsidy:**

(a) **Background and authority**

The Tractor Bounty Act 1939-56 provides for the payment of bounty on wheel-type tractors of from 10 to 70 belt-pulley horsepower produced in Australia for use in Australia and its territories. The bounty is payable on production up to 30 June 1959.

(b) **Incidence**

The bounty is paid to the producer and is an amount per unit determined according to the belt-pulley horsepower of the engine and the percentage of the cost of locally produced materials used to the total factory cost of the tractor. No bounty is payable on tractors exported to other than an Australian controlled territory, or on crawler-type tractors.

(c) **Amount of the subsidy**

The total cost of the bounty in 1957-58 was £467,088.
(d) Estimated amount per unit

If the percentage of the value of Australian labour and materials to total factory cost is 90 per cent or more the rate of bounty varies from £80 to £240 per tractor depending on the belt-pulley horsepower. No bounty is payable if the proportion of Australian content is less than 60 per cent whilst if the proportion is greater than 60 per cent but less than 90 per cent, the rate of bounty payable varies in proportion to the percentage Australian content.

2. Effect of the subsidy:

During 1957-58 17,718 wheel-type tractors were imported and bounty was paid on 2590 tractors produced in Australia.

The effect of the bounty upon the demand for imported tractors is small.

XII. WHEAT

1. Nature and extent of the subsidy:

(a) Background and authority

Commonwealth and State legislation (1958) authorized a continuance of the Wheat Stabilization Scheme. The legislation provides for guaranteed prices for export wheat for the five seasons 1958-59 to 1962-63 inclusive. This continues the plan started in 1948.

(b) Incidence

The guarantee under the existing scheme covers exports of up to 100 million bushels from each of the five seasons. Operation of the stabilization arrangement involved the building up of a fund from a levy on exports when the average price exceeded the determined cost of production and payments from the fund to producers if the average price fell below the determined cost of production. If the fund were insufficient to meet the payments to producers the deficiency would be met by the Commonwealth.
(c) **Amount of subsidy**

Two stabilization payments have been made from the fund as follows:

<table>
<thead>
<tr>
<th>Amount</th>
<th>Season</th>
</tr>
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<tbody>
<tr>
<td>£188,525</td>
<td>1954-55</td>
</tr>
<tr>
<td>£1,035,833</td>
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**Total** £1,224,358

At 31 December 1958, the balance in the fund was £10.6 millions. The Commonwealth has not been required to make any contribution to the fund.

(d) **Estimated amount per unit**

(i) **0.476d. per bushel on 95,028,456 bushels exported from 1954-55 season's crop; and**

(ii) **2.486d. per bushel on 100,000,000 bushels exported from 1955-56 season's wheat.**

2. **Effect of the subsidy:**

The scheme is not affecting exports in the manner described in Article XVI.

B. **OTHER SUBSIDIES**

The Australian Government maintains no subsidies affecting the production of or trade in goods not notified under A.