

WORLD TRADE ORGANIZATION

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Committee on Subsidies
and Countervailing Measures

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SUBSIDIES

Replies to Questions Posed by the EUROPEAN COMMUNITIES¹ and the UNITED STATES² Regarding the New and Full Notification of AUSTRALIA³

The following communication, dated 15 January 2004, is being circulated at the request of the Delegation of Australia.

QUESTIONS FROM THE EUROPEAN COMMUNITIES

FEDERAL PROGRAMMES:

IV. PASSENGER MOTOR VEHICLES:

Q1. What are the eligible imports for use of the duty credits, and how is the list of these eligible imports determined?

Reply

Under the Automotive Competitiveness and Investment Scheme (ACIS), participants receive duty credits which can be used to offset customs duty payable on certain eligible automotive imports or alternatively, can be sold or otherwise transferred. The items classified as eligible automotive imports under ACIS are described in column 2 of Item 41E of Schedule 4 to the *Customs Tariff Act 1995*.

The list of eligible automotive imports under Item 41E is drawn from goods classified under customs tariff classifications relating to motor vehicles, automotive components and goods used to produce automotive components. The list does not include:

- (a) Amphibious vehicles;
- (b) Goods classified under subheading 8703.10.00;
- (c) Goods classified under subheading 8704.10.00;
- (d) Goods having a gross vehicle weight exceeding 3.5 tonnes;
- (e) Used vehicles;
- (f) Raw materials;

¹ G/SCM/Q2/AUS/23

² G/SCM/Q2/AUS/24

³ G/SCM/N/95/AUS

- (g) Goods (for example, paint, steel, cable or carpet) in bulk;
- (h) A component that must be cut to length or shape; and
- (i) A component that is not purpose built for automotive use (for example, a fastener or electrical device in general use).

A full list of the tariff classifications of eligible automotive imports under Item 41E can be found at www.ausindustry.gov.au/acis.

Q2. For MVPs, what production is eligible for the earning of duty credits?

Reply

Motor Vehicle Producers (MVPs) are eligible to earn duty credits for the production of all motor vehicles.

IX. TEXTILE CLOTHING AND FOOTWEAR (TCF) PROGRAMME:

Q1. What is the limit, or the range of limits, on the percentage of eligible expenditure, which can be covered by the grants?

Reply

The percentages of eligible expenditure for different eligible TCF activities are as follows:

- (a) Grants in respect of new TCF research and development expenditure can be made up to 20 per cent of eligible expenditure;
- (b) Grants in respect of new TCF plant/building expenditure can be made up to 45 per cent of eligible expenditure;
- (c) Special grants in respect of second-hand TCF plant expenditure can be made up to 20 per cent of eligible expenditure; and,
- (d) Special miscellaneous grants in respect of TCF-dependent communities can be made up to 20 per cent of eligible expenditure.

SUB – FEDERAL PROGRAMMES:

Q1. Why are the budgets for the sub-federal programmes all aggregated rather than given separately for each state?

Reply

This is due to the nature of competitive bidding between sub-federal governments for investment within Australia and the need for the protection of commercial-in-confidence data.

QUESTIONS FROM THE UNITED STATES

I. GENERAL

Q1. We understand that the Government of Australia currently reimburses hospitals in Australia for the purchase of locally-produced blood plasma-derived products, as provided for in Australia's Plasma Fractionation Agreement (PFA) with CSL, Limited (Australia's sole producer, importer and exporter of blood plasma-derived products). Furthermore, we understand that under the PFA, the Government of Australia does not provide the same benefits for foreign-produced plasma products. This programme appears to meet the notification requirements as provided in Article 25 of the WTO Agreement on Subsidies and Countervailing Duties (SCM Agreement). Please explain why this programme has not been notified. If the programme is notifiable, please provide the information required under Article 25.

Reply

Australia considers the procurement of blood plasma products to be government procurement and, therefore, does not believe that it would be appropriate for such arrangements to be notified under the SCM Agreement.

The National Blood Authority is the body responsible for managing the national blood supply and is authorised to enter into funding and supply contracts with bodies involved in the collection, production and distribution of products for the purposes of the national supply. It is incorrect that CSL Limited is the sole producer, importer and exporter of blood and plasma-derived products. In Australia, the National Blood Authority maintains reliance on voluntary, non-remunerated donations of whole blood and plasma and provides products to patients free of charge and based on clinical need and appropriate practice. The National Blood Authority does not reimburse hospitals in Australia for plasma derived products, whether locally manufactured or imported. Where there is a need for additional plasma products, they are imported and supplied free of charge to patients.

II. DAIRY

Dairy Industry Adjustment Package (DIAP)

Q1. Please provide further details as to how producers in the dairy industry qualify as "eligible dairy farmers" under this programme.

Reply

Eligible dairy producers were those who had a market milk dependency of more than 25 per cent in 1998-99 and were actively involved in a dairy enterprise on 21 May 2001.

III. PASSENGER MOTOR VEHICLES

Automotive Competitiveness and Investment Scheme (ACIS)

Q1. We understand that where motor vehicle producers (MVPs) produce components, tools or services for a third party, the MVP may claim ACIS credits equal to:

- 25 per cent of the investment in approved plant and equipment
- 45 per cent of the investment in approved research and development

Please explain what qualifies as "approved plant and equipment" and "approved research and development" under this programme.

Reply

The purpose of ACIS is to provide transitional assistance to encourage competitive investment and innovation in the Australian automotive industry in the context of trade liberalisation. Australian automotive tariffs are legislated to be reduced from 15 per cent to 10 per cent on 1 January 2005, with a further reduction to 5 per cent on 1 January 2010.

Section 54 of the *ACIS Administration Act 1999* provides the detail on limits applying in respect of a cap (5 per cent of sales of ACIS goods and services) on credits a registered participant can receive under the scheme.

There are two aspects to approved plant and equipment or approved research and development under ACIS:

- (a) firstly, the plant and equipment or research and development must be allowable plant and equipment or allowable research and development; and
- (b) secondly, the allowable plant and equipment or allowable research and development is only allowed to a given value - the maximum claimable value in respect of that plant and equipment or research and development.

The plant and equipment or research and development considered as allowable plant and equipment or allowable research and development under ACIS, along with the maximum claimable value in respect of that plant and equipment or research and development, is set out in the *ACIS Administration Regulations 2000* (as amended). These Regulations can be found at www.ausindustry.gov.au/acis.

Noting the regulations provides a list of prohibited plant and equipment; the following are examples of allowable plant and equipment under the Regulations:

- (a) plant and equipment for the manufacture, assembly, design, development or engineering of motor vehicles, engines, engine components, automotive components, automotive machine tools or automotive tooling;
- (b) plant and equipment directly supporting the manufacture, assembly, design, development or engineering of motor vehicles, engines, engine components, automotive components, automotive machine tools or automotive tooling;
- (c) plant and equipment required to comply with a law of the Commonwealth, a State or a Territory directly relating to the manufacture, assembly, design, development or engineering of motor vehicles, engines, engine components, automotive components, automotive machine tools or automotive tooling;
- (d) plant and equipment for the activation of manufacturing processes for the production of motor vehicles, engines, engine components, automotive components, automotive machine tools or automotive tooling;
- (e) plant and equipment facilitating the provision of automotive services or approved research and development;

- (f) plant and equipment indirectly supporting functions that are integral to the production of motor vehicles, engines, engine components, automotive components, automotive machine tools or automotive tooling.

Eligible research and development activities under the Regulations include the following:

- (a) directly related to the design, development, engineering or production of motor vehicles, engines, engine components, automotive components, automotive machine tools or automotive tooling; and
- (b) undertaken for the purpose of:
- (i) acquiring new knowledge; or
 - (ii) creating new or improved materials, products, devices, production processes or services.

Sub-para (a) and (b) includes the following research and development activities:

- basic and strategic research;
- industrial and engineering design;
- production engineering;
- development activities relating to the building and testing of prototypes;
- re-engineering and modification of existing products and processes;
- development and installation of purpose-designed systems for:
 - (i) quality assurance and process control; or
 - (ii) materials or movement control;
- testing and modification of new production systems (either purpose-built or interchangeable) to achieve repeatability within specified tolerances;
- obtaining industrial property rights, including:
 - (i) the preparation and lodging of applications and other documents that are required to be lodged, in Australia or elsewhere, for the initial grant or registration of the rights; and
 - (ii) the initial grant or registration of the rights, in Australia or elsewhere.

IV. PIG MEAT

Pigmeat Processing Grants Programme

Q1. Please provide more information as to the "the specified eligibility criteria" a processor's application must meet to be eligible for grants under this programme. Is export performance a determinant of eligibility?

Reply

The \$8m programme which terminated on 30 June 2001 was open to Australian-based companies, partnerships and individuals, or consortia of such bodies with the capacity or potential to process at least 250,000 pigs per year or to meet international best practice parameters. Applicants had to demonstrate a commitment to enhancing their competitiveness by embarking on significant capital investment in pigmeat processing. Applicants had to demonstrate they had financial resources to capitalise their plans. Grants of up to 10 per cent of the cost (to a maximum of \$500,000 per year for up to 3 years) of new project investment were available. Applicants were assessed on their potential to succeed, the level of innovation demonstrated and ability to lead the Australian industry. Export performance was not a determinant of eligibility.

V. SUB-FEDERAL PROGRAMMES - NORTHERN TERRITORY

Industry and Business Assistance

Q1. In document G/SCM/Q2/AUS/20 (13 August 2001), Australia replied to the United State's question regarding which industries have received assistance from this programme by providing a list of industry sectors. Has this list of sectors substantially changed for the reporting period 2001-2003? If so, please provide an updated list of sectors that have benefited from this programme.

Reply

The list of sectors receiving assistance is the same as listed in G/SCM/Q2/AUS/20, as follows:

- Information Technology
 - Tourism and tourism services
 - Mining and mining services
 - Business services
 - Personal services
 - Forestry
 - Manufacturing and manufacturing services
 - Retail, wholesale and supply
 - Educational
 - Arts and culture
 - Regional development
 - A variety of industry associations.
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