

Productivity Commission re Anti Dumping

Thank you for a copy of the preliminary report.

Firstly efficient manufacturing is a high capital commitment activity. The purchase of high productivity machines, hiring and training programmers is a long term commitment. You can sack people, but you can't sack machines. This fact was discussed by UK economists recently in respect of unemployment. The trend to service industries was blamed for a rapid rise in unemployment.

In Australia we are facing loss of Critical mass. For example much capacity has been lost for various reasons. For one surface treatment, there remains only three operators open to jobbing. Two in Melbourne and one in Sydney and they have limitations. Many others have closed rather than face the capital cost of meeting recently imposed environmental requirements.

We will not be submitting a comprehensive submission as the cost/benefit assessment does not stack up.

We have looked at initiating an Anti Dumping inquiry on two separate occasions and decided not to proceed, again on a cost/benefit consideration. But it does seem that we have been seriously damaged by dumping/predatory pricing of imports from foreign manufacturers. This has been the case over a long period of time.

We are a very small niche manufacturer of specialized products. We would rank about third in terms of number of units in the world. The key product was specifically selected to have production quantities in order to be unattractive to low labour cost sources. Our product range is produced extensively by multiple subcontractors making components to our designs, using high productivity equipment and techniques. We have some 250 suppliers or potential suppliers and our input costs should be low by world standards. The replacement value of productive assets of at least 15 % of any these suppliers would be well in the multi million dollar range. That's excluding those producing standard product such as metal sheet.

We have advanced the product technology and protected our advancements where possible by patents and registered designs. This is a very expensive process.

As a Chartered Professional Engineer, during my career I have worked for importers of equipment, importers of technology for local manufacture and local manufacturers as well as involvement with low labour cost manufacturing.

My present firm is one of a large number of Australian manufacturers, who have sales figures less than \$1million, but provide very substantial employment. Working with subcontractors avoids massive capital investment and cost of redundant equipment. Discussions with our larger overseas competitors, who have more in house production

over a wider range of product lines indicates that they regret purchasing production equipment. They had also previously worked on subcontract basis.

It is not possible for small Australian Manufacturing Companies to borrow money for working capital. A number of players think they are doing so by pledging their homes, which they lose in the event of a disaster. The best is to borrow personally and lend to the Company.

On this background it can be seen that such Companies are exposed to serious damage from dumping or predatory pricing. The importer simply lowers the selling price in Australia until the local manufacturer is written off and then has the possibility of unfettered profit. It happens.

There are many mechanisms for the importer; some do not require a low FOB price. House to House invoices for marketing costs. Free supply of catalogues, show room rent, Salesmen, advertising, training of sales personnel etc.

Most of the public (excluding banks) assume that the Anti Dumping legislation together with section 46 of the TPA provides protection. They do not. Last I heard there was one effective prosecution in the last 25 years under Sect 46. The Commission would have the figures for successful anti dumping action, or applications for investigation by firms under \$1M sales per annum. I believe there were virtually none.

So both measures are useless and purely providing unproductive employment at cost to Australian Taxpayers.

Many years ago when the TPC received a low value complaint, they visited the firm suspected of infringing and explained the law. This had great effect in my experience. I understand this practice is not pursued by Customs and has ceased to be used by ACCC.

Quite often infringers have no deliberate intent. They just quote 10% below the local manufacturer, regardless of cost. In some cases they have other very high margin products from low labour cost sources of a totally different product range. It is simple to transfer costs locally if overseas manufacturers do not assist.

One scenario I was told about, involved a similar type of firm to ours. They proved dumping, but as they had purchased another firm, their sales figure had increased so it was held that they suffered no damage. They then bought the infringers product put the on their web site at the Australian price. This prompted a quick phone call to the effect if they took the items off their website; there would be no further dumping.

The main reason we have not pursued anti-dumping action is our assessment of the cost/benefit ratio. The figures in box 5.4 of the draft report confirm the wisdom of our decision. After 17 years of operation it appears that the big dip in exchange rate burnt off the infringers. It now remains to see the outcomes now the USD is back to 88cents. Euro and GBP have gyrated similarly.

The Australian bureaucracy naturally prefers to deal with large firms. Unfortunately many such manufacturers find it hard to compete even on a level playing field with low labour cost imports.

The Australian bureaucracy like the majority of Australians are prejudiced towards imported products. We find the opposite in our export markets. We can hold on to such markets by delivering unique products into markets where Australia as a nation is well respected as a manufacturer.

I have been advised that a firm such as ours may not be considered a manufacturer for anti dumping purposes, any action would have to be initiated by our subcontractors. If that is so it would be ridiculous. Holden and Ford would not be car manufacturers.

Conclusion

Sack the staff involved with Anti Dumping work in respect of small manufacturers and those involved with Section 46 TPA. They would relish working in the industry.

Or

Seek a compliance based approach rather than totally legalistic enforcement costing manufacturers, already damaged prohibitive sums to comply with red tape.