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Automotive Industry Inquiry  
Productivity Commission

Dear Sirs,

### **REVIEW OF AUTOMOTIVE ASSISTANCE - POSITION PAPER**

Thank you for allowing time for me to comment on the Position Paper at the hearing on Monday 29 July 2002.

Further to a request by Stewart Plain, this note is to flag in advance the issues on which I would like to comment.

At the outset though, I would like to compliment you on a very comprehensive paper which appears to canvas nearly all views and expresses a clear preferred path for continued assistance to the industry.

On then to the contentious points from Marplex's perspective.

1. Your general argument that the passenger vehicle tariff should drop to 5% from 2010.

This seems to be based on the need to correct an unfair advantage given to the automotive industry versus other Australian enterprises being perceived as more important than the need to support the industry in combating the relative tariff and non-tariff handicaps it faces in its regional market.

It is a judgement call, but it will send a very negative signal to the industry and stifle further investments. Already there has been plenty of evidence to suggest that the future of at least some of the OEM's is precarious. Given the probable ramifications of a negative reaction to a further cut in 2010, would it not be safer, particularly at this time of significant uncertainty in the world economy and also given your own misgivings about the future of the main export market for Australian vehicles (the Middle East), to pursue a more cautious option? Even perhaps the scale down from 10% to 5% over the five years to 2015?

2. Your argument that the effective protection level is higher than the tariff level.

While it is fair to add the costs of ACIS in arriving at this conclusion, I am uncertain whether you have allowed a deduction for such things as

- i. the 3% duty on imported business inputs not produced in Australia, and
- ii. the 5% duty on engineering plastics resins not produced in Australia in arriving at the effective protection level.

These duties merely create distortions.

I note that you "recommend" the removal of the former, but shouldn't it be stronger than a recommendation? I would have thought the removal should be an integral part of the package.

I may have missed it, but you do not appear to say anything about the tariffs on plastics resins, like nylon, polycarbonate and PBT, which have never been manufactured and probably will never be manufactured in Australia. The existence of these arbitrary revenue raisers not only takes away from the protection otherwise afforded to the industry, but puts businesses such as Marplex at an unfair disadvantage versus importers of compounds and alloys made from these base resins. Again I believe the rectification of these anomalies should be part of the main deal. If they are not, then your argument for the removal of distortions becomes selective, and thus appears less logical.

3. Your argument that manufacturers of inputs to automotive components should not be included in an extension to ACIS.

This would obviously be a disappointing outcome for Marplex, adding to the disappointment we had after being "inadvertently" told we were "in", only to be excluded when the scheme started.

In one sense, who gets the money along the way doesn't matter much if it helps the industry as a whole, but when in a proportional sense you are doing as much R & D as the next guy up the supply chain and he gets a benefit and you don't, it does seem unfair.

Your argument is about not complicating the scheme or diluting its benefits to the existing recipients, but where does that leave companies like ours - out in the cold, due to some arbitrary definition. I think it produces another distortion, and you say you are keen to reduce or eliminate distortions.

4. In Marplex's original submission, I argued that payroll tax, stamp duty and the complication of the chemicals approval process also served to inhibit the contribution companies like Marplex could make to the automotive industry in Australia.

I appreciate from your paper that arguments about payroll tax and stamp duty would take us into another broader arena which maybe unproductive, but I do think the Commission should add its weight to the argument that the rigid application of NICNAS (which requires Australian importers of special chemicals to go through a complex approval process when the chemicals have already been "passed" in first world jurisdictions) is doing little more than employing public servants and choking Australian industry.

I look forward to meeting you and discussing these issues.

Yours sincerely,  
**MARPLEX AUSTRALIA PTY LTD**

**PETER BROOKSBANK**  
**MANAGING DIRECTOR**