

ALBRIGHT & WILSON

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Chemicals and Plastics Study
Productivity Commission
Locked Bag 2
Collins Street East
Melbourne
Victoria 8003

Dear Sirs,

Albright & Wilson (Australia) Limited is an SME, with a turnover of around \$90 million and a workforce numbering approximately 120. The Company manufactures and imports a range of chemicals for the food, detergent, personal and household care, construction, agriculture and mining industries.

We recognise the importance of good corporate citizenship, acknowledge our responsibilities to all our stakeholders and accept that this comes with a cost. Our Board is very supportive of local manufacture in Australia and actively encourages IR&D. We believe that sustainable economic growth with associated employment and employment opportunities is only possible if the regulatory cost burden is minimised and that local manufacturers have a level playing field in which to compete for local and overseas markets.

We have two major concerns. Our first concern is that the costs of complying with all of the necessary environmental and health and safety regulations in Australia far exceed the costs incurred by our competitors overseas, particularly in China. Our Company is a minority shareholder in a Chinese chemical manufacturing venture, and we therefore have confidential access to relevant data, which indicate their costs to be a fraction of ours. Our parent company is based in Singapore, and we understand that the compliance costs for their manufacturing subsidiaries in Indonesia and Vietnam are substantially

below ours. Chinese chemical producers aggressively export their products into Australia and their lower compliance costs (together with other favourable costs) give them a substantial advantage and have enabled them to gain an increasing share of the Australian market. This cost disparity also inhibits competitive exports from Australia to countries where Chinese exporters are active. As there continues to be discussion within DFAT regarding a possible FTA with China we would like the Productivity Commission to review compliance costs in Australia in order that comparisons can be made with those incurred by manufacturers in China so that the advantage enjoyed by our Chinese competitors can be quantified. In a global market, the playing field needs to be made level. Australian compliance costs make it a distinctly uphill battle for Australian manufacturers.

Our second concern relates to the introduction of new chemicals. The market for chemicals in Australia is modest compared with the major economies of Europe and North America. This is a function of population. NICNAS regulators are rightly keen to ensure that new chemicals are not introduced without proper assessment – on health, safety and environmental grounds.

Our understanding is that around 38,000 chemicals are listed on the AICS (Australian Inventory of Chemical Substances), of which some 35,000 were on the original listing. Some 2,000 to 3,000 “new” chemicals have been added since NICNAS was established, which is a relatively small number compared with developments overseas.

In contrast, the EINECS European listing has in excess of 100,000 chemicals and over 75,000 chemicals are listed on the TSCA Inventory in the USA.

Australian manufacturing industry is deprived in the sense that thousands of chemical entities which are permitted in the USA, Europe and elsewhere are not permitted in Australia.

Australian manufacturing industry is discriminated against because finished products incorporating these chemicals can be imported even when the chemical components themselves cannot. (For example, we understand that biodegradable plastic bags can be imported into Australia, whereas the polymer beads from which the bags are made have not been assessed and may not be imported. Australian manufacturing industry is excluded and discriminated against.)

Australian manufacturing industry growth is impeded. The cost of introducing “new” chemicals into Australia is often prohibitive.

As an example, Albright & Wilson (Australia) Limited has recently taken on a new Agency. Our Principal is a small innovative US company which has developed and patented several new chemical entities which have significant

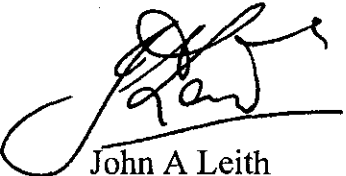
advantages over products using existing technologies, in terms of performance, use of renewable resources, etc. The cost of listing one of these new products on the TSCA Inventory is USD 100. The laboratory tests required by US authorities to establish the safety in use and impact on the environment cost around USD 20,000. In Australia, by contrast, a standard NICNAS notification costs close to AUD 15,000, with a number of additional costs if any of the information is to be treated in confidence, etc., and the cost of carrying out the substantially more extensive testing required to achieve listing on the AICS can easily be of the order of ten times the cost of testing required in the USA.

The Australian market is often too small to justify the expenditure needed to introduce new chemical entities, and hence Australian producers and the Australian public are deprived of the commercial benefits flowing from research into new molecules.

In our view the operation of NICNAS needs substantial revision, for example, to permit the use in Australia of any chemicals on overseas inventories, without further assessment or cost, and to expand the volume for Limited Assessment (from current 1 tonne p.a. to, say, 50 tonnes p.a.).

It is our view that addressing compliance costs and the operation of NICNAS could have significant benefits to the chemical industry and to the Australian economy as a whole.

Yours faithfully
ALBRIGHT & WILSON (AUSTRALIA) LIMITED



John A Leith
Managing Director