



WHITELEY INDUSTRIES

8 September 2000

Cost Recovery Inquiry
Productivity Commission
Locked Bag 1,
Collins Street East
MELBOURNE 8003



Dear Productivity Commission

We wish to respond to your request for submissions regarding the 100% Cost Recovery system set up by the Federal Government.

We outline to you we are a small Australian manufacturer with a turnover of under \$10 million. We are in the downstream chemical blending area. We have been a member of our relevant trade association since its inception in the 1970's.

We are totally opposed to 100% Cost reduction on the basis it is anti competitive.

In the current environment where our industry is being globalised, it is increasingly difficult for small businesses to develop and flourish. Research is no longer given anything more than token support. Inefficiencies in government regulation where 100% Cost Recovery is required mean that the burden on small businesses is enormous.

In larger companies 100% Cost Recovery can represent some pain. But it can also mean that new technologies are simply in the size of the Australian context not viable. In the chemicals industry this is particularly so. There are over 50 separate acts of parliament around Australia covering this industry currently.

In this difficult environment additional costs are borne by companies just to comply with the relevant acts of parliament. Where new technologies are introduced the current regulatory regime to introduce these technologies is intensely complex. It is also very expensive. In the downstream products area this means that upstream companies are unwilling to introduce new technology into Australia unless there is clearly a supportable local market place. The outcome of this is that global downstream players who can balance their costs against larger turnovers are preferentially dealt with. That is to say they are able to fund the cost recovery issues against their global turnover.

Such is not the case for small, medium enterprises. We must try and recover our costs for each new technology in the market in which we stand. So the larger companies can (a) get better buying volume from the upstream suppliers, (b) fund their cost recovery across a greater market share with enhances margin, and (c) because of superior capitalisation and cash flows fund the expeditious development of product to market in a more efficient and effective manner.

As a consequence small suppliers simply cannot compete.

It is essential in this review that fair consideration be given to the thresholds for funding of this process. What is more the whole principle of 100% cost recovery must be reconsidered where inefficiencies between government agencies results in the same processes being done two, three and four times. This inefficiency can be barely be borne by large companies. It is simply impossible for small companies to compete.

We will be very happy to make any verbal response to questions arising from our submissions. We confirm we will be happy to appear before any enquiry on this matter to give specific evidence in relation to our statements.

We look forward to hearing from you in due course.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'Greg Whiteley', with a stylized flourish at the end.

Greg Whiteley
Managing Director