

## **APMF SUBMISSION ON POST-2000 TARIFF ARRANGEMENTS**

### **Recommendations**

- Where there is local production, the 5% tariff level should be retained to offer some level of protection.
- Where there is no local production, there should be no tariff rather than the existing 5% or 3% under the Tariff Concession System.
- Until the general tariff is reduced to 3% or less the Tariff Concession System should be retained.

### **Submission**

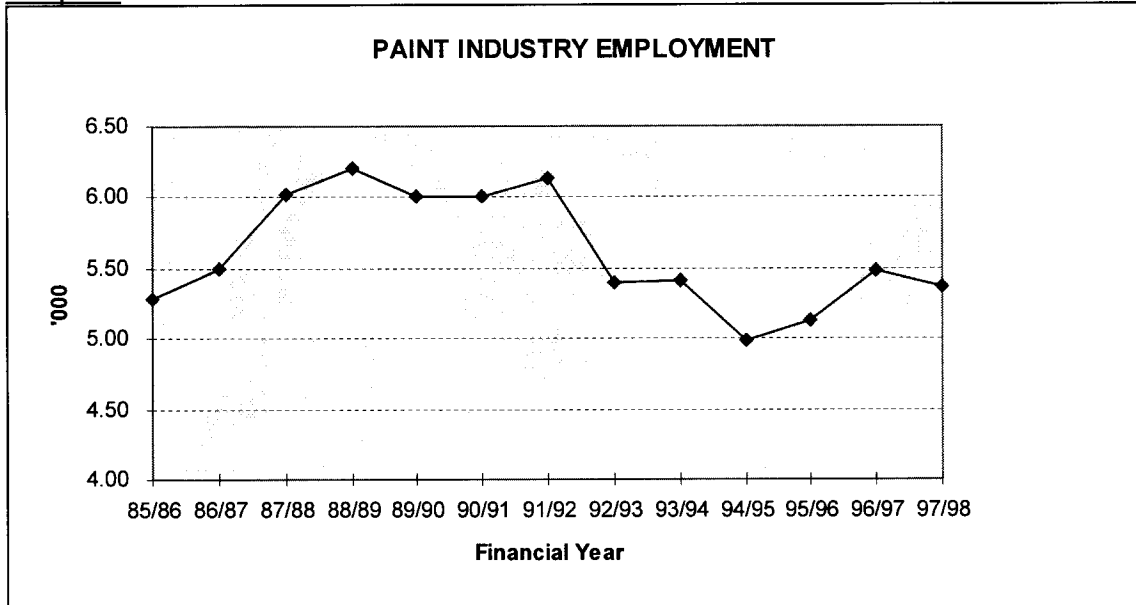
Raw materials used in the coatings industry (paint and ink) are presently Wholesale Sales Tax (WST)-free, although imports are subject to a 5% tariff or 3% with a Tariff Concession Order(TCO). TCO's are generally granted where there is no local production but some local manufacturers have found it difficult, if not impossible, to obtain them because of the tariff classification system whereby all items not itemised at the eight digit level are dumped into "other". For example, tariff item 3912.90.00 includes unplasticised Cellulose Esters, plasticised Cellulose Propionate, alpha or micro-crystalline Cellulose and plasticised Cellulose Acetate Butyrate. Thus, under the recent " Nuisance Tariff Review" that resulted in the removal of almost 400 tariff items, none of these, individually, would be likely to reach the \$100,000 threshold but collectively they raise more than twice this amount for the Government annually. To the best of the APMF's knowledge, no cellulose derivative products are manufactured locally.

The prevailing tariff rates are regarded as primarily revenue sources that do nothing to protect local industry as "import parity pricing", based on c.i.f. prices, has generally been adopted. The corollary of this is that their removal may impact Government revenue but will have little or no impact on industry. The impending GST will have a much greater impact on both industry and consumers as the 10% rate is passed on down the supply chain. Indeed, if the Government is to minimise the impact of the GST on the coatings industry it should remove the 5% rate on imported raw materials and the 3% tariff of the Tariff Concession System at the same time. Failure to do this will result in Government being seen by industry as "double dipping" by having the benefit of revenue from both tariffs on imports that have no local substitute materials and the GST. Furthermore, coatings manufacturers are generally struggling and looking to reduce costs, meaning that the imposition of the GST may well affect industry employment levels.

### **Background**

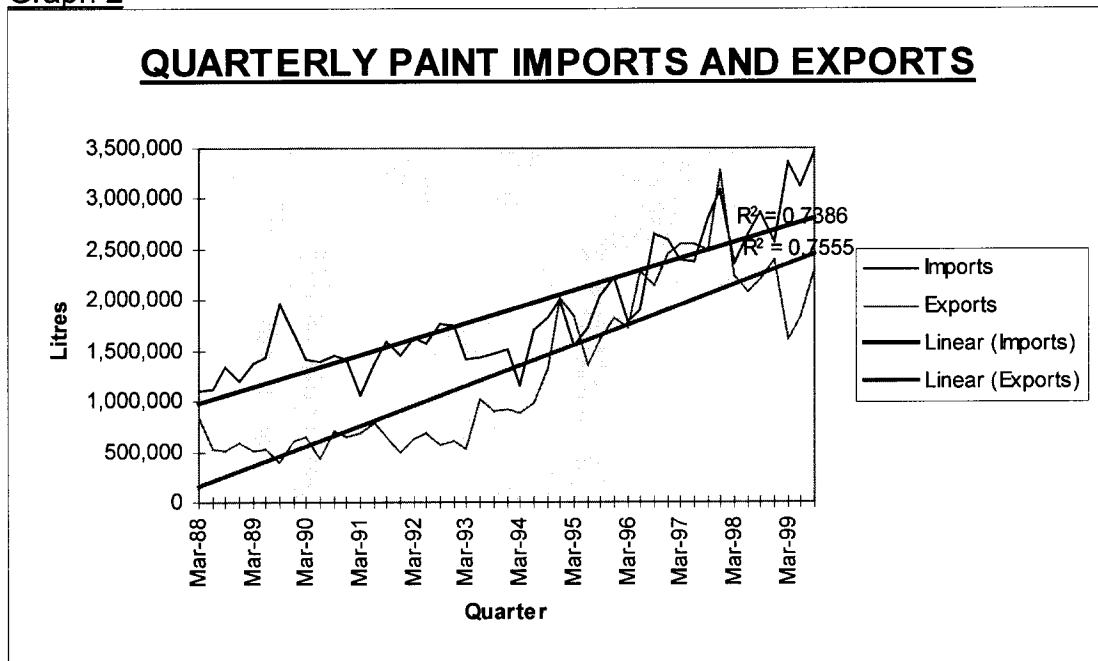
The Australian Paint Manufacturers' Federation (APMF) is an industry association that represents the Australian coatings industry. According to the Australian Bureau of Statistics (ABS), the industry had a turnover of \$1.85Billion and the paint industry employed almost 5,400 in 1997/8, down from a peak of 6,200 a decade ago, as shown in **Graph1**.

Graph 1



Paint imports have been increasing at a faster rate than exports over the past decade or so, as can be seen in [Graph 2](#).

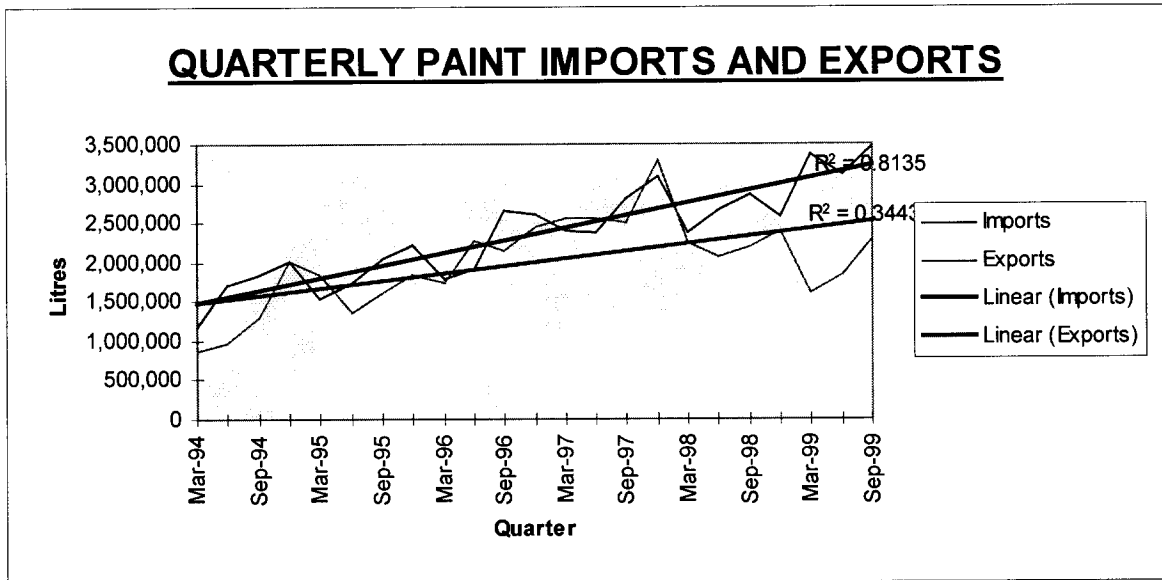
Graph 2



The rate of increase in imports over exports has been greatest in the last five years, as seen in [Graph 3](#).

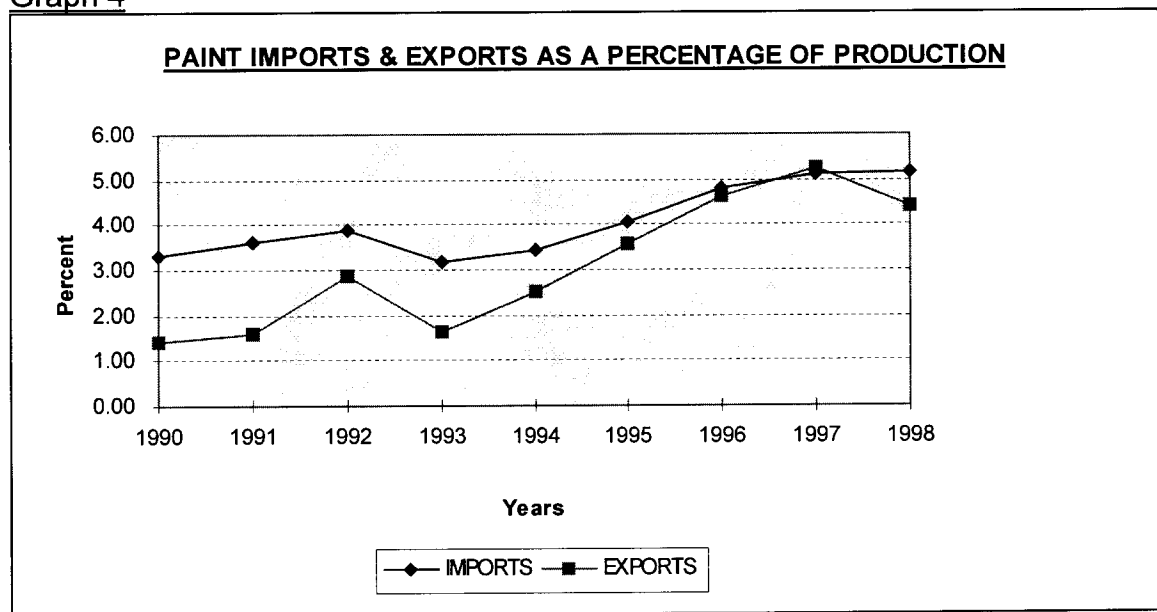
Graph 3

## QUARTERLY PAINT IMPORTS AND EXPORTS



Quarterly imports have more than doubled over the period compared to a much lesser rate of growth for exports. This has meant imports have increased their share of production from 3.2% to 5.1% over the last eight years while exports have grown from 1.4% to 4.2% over the same period **(Graph 4)**.

**Graph 4**



### **SUMMARY**

The coatings industry is currently struggling and the impending imposition of the GST is likely to exacerbate the situation. If nothing is done about removing existing tariffs the Government will be seen to be “double dipping” without offering any protection for local manufacturers.