

**PRODUCTIVITY COMMISSION**  
**REVIEW OF AUSTRALIA'S GENERAL TARIFF ARRANGEMENTS**

**1. IDENTIFICATION**

This submission is lodged by the Printing Industries Association of Australia (PIAA), Level 10, 99 York Street SYDNEY NSW 2000.

PIAA is the peak representative organisation for companies in the printing and graphic communications industry. It is registered under the Workplace Relations Act 1996 and various State industrial legislation. Although a formal Federal organisation since 1924, and a National Association since 1971, its history dates from the 1880's as autonomous State bodies.

The membership of PIAA comprises around 2,500 companies and includes printers, desktop publishers, graphic designers, pre-press houses, publishers, software and hardware manufacturers and distributors, paper and paperboard manufacturers, paper merchants, ink manufacturers, manufacturers and suppliers of printing equipment and printing consumables, firms engaged in packaging manufacture, paper conversion, binding and finishing, communication, media services and information technology.

PIAA provides a comprehensive range of business assistance services as well as industry representation to all levels of government. Members are supported by a network of offices serving NSW, Victoria, Tasmania, South Australia, Western Australia, Queensland and the ACT and Northern Territory.

PIAA is truly the voice of the graphic communication industry.

**2. INTRODUCTION**

The industry is extremely diverse and is thought to be the only industry in Australia that has a presence in every electorate, State and Federal, although the heaviest concentration is naturally in NSW and Victoria, accounting for some 65 per cent of establishments.

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Dependent on what yardstick is used e.g. employment, turnover etc the industry is ranked second or third in the Australian manufacturing sector.

The industry in Australia, and indeed internationally, is characterised by a small number of large firms and a large number of small or medium sized firms.

In Australia currently only some sixty establishments, or a little under one per cent, have more than 200 employees although they are responsible for the greater share of total industry output.

The industry is technologically driven with the pace of technological change in recent years being nothing short of phenomenal.

While traditionally the industry has been concerned with the production of stationery, packaging, business forms, computer stationery, diaries, account books, labels, transfers, postcards, greeting cards, calendars, catalogues, trade advertising material, books, magazines and newspapers (goods which when imported are classified to Chapters 48 and 49 of the Customs Tariff) the advent of globalisation and convergence or digital convergence has seen traditional boundaries become markedly blurred. With the coming of the information revolution the "printing industry" now offers a total solution package that goes far beyond the traditional concept of ink on paper.

To this end PIAA together with other trade associations and the Government is engaged in the detailed preparation of an Action Agenda which will be the blueprint for continued development in the foreseeable future.

The industry is not yet export oriented although it is moving in that direction. Major competition from overseas occurs in the paper producing areas and in the tariff free product sectors of books and magazines.

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PIAA is very conscious of the fact that the industry is at the crossroads and that in ten years time it will be unrecognisable as the industry it is today. There will be radical transformations if it is to maintain meaningful and sustainable growth and continue to make its significant contribution to the Australian economy.

### 3. THE REVIEW

The Commission has been asked by the government to review the scope for a post 2000 reduction in general tariffs where rates of 5 per cent or less currently obtain .

In conducting that review the Commission will also examine the Tariff Concessions System and the Policy or Project By-Law arrangements. These concessional arrangements are currently widely used by industry members.

Other specific schemes such as PICS and EPICS , which are specifically aimed at the printing industry, will also require review.

The Printing Industry for much of its life and with significant exceptions has been a highly protected industry with tariff rates in the 50 - 60 per cent range operative in the "dark ages". The major exceptions were the book and magazine sectors where trade was duty free and import competition intense. This led to the development of an assistance package for book production through the operation of a book bounty scheme and for magazines assistance was provided through the Policy By-Law System with access to duty free paper.

These tariff levels, of course, began to be dismantled in the early 1970's and today tariff levels are at 5 per cent where applicable , the book bounty scheme has been dismantled and replaced by a duty offsets scheme on paper (PICS) and EPICS which compensates the book industry for GST effects, and the policy by-law for magazine printers remains in force.

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During this time of tariff reduction the industry continued to grow and meet the challenge of international competition through the adoption of world's best practices and the taking up of rapid technological change although paradoxically this has led to chronic over capacity and subsequent under utilisation in the industry.

The reduction in assistance for the Australian printing industry has then met the general economic policy objectives raised in the reference , i.e. :-

- . to improve the overall efficiency of the Australian economy ;
- . to encourage the development of sustainable, prosperous and internationally competitive industries in Australia; and
- . to promote the provision of high quality, competitively priced goods and services to Australian businesses and consumers.

#### 4. THE ISSUES

Turnover of the industry is estimated to be \$21,500 million in 1999/2000 with an employment of 120,000 persons.

If the assumption is made that that turnover is inflated by 3 per cent as a result of a 5 per cent tariff on the importation of competitive goods then the cost to the community is \$645 million. If the tariff rate of 25 per cent that operated for much of the decade of the seventies was still the norm then that community cost would have been of the order of \$4,730 million , so tariff reductions have led to significant community savings even on this crude analysis. Adoption of a tariff free environment would then lead to a community saving of approximately \$645 million per annum.

PIAA has commissioned short term and long term econometric modelling of the industry by Chris Murphy of Econtech and more qualitative analysis will be available to the Commission during the course of its review.

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The PIAA suggestion then for post-2000 tariff rates is that imports other than pmv and tcf become tariff free from 1 January 2005 and that imports subject to the Tariff Concession System be duty free from 1 January 2001.

PIAA believes that with regard to the rate of tariff the timing suggested above gives ample opportunity for adjustment and will meet the "economic, social, environmental and regional policy objectives, including employment objectives, of Australian governments."

PIAA has given consideration to a phased reduction programme but can see no real economic benefit in adopting such a course.

Given visibility and certainty that a tariff free environment will be in operation from 2005 then decisions can be taken, whereas a phased reduction might delay adjustment plans and negate some of the ultimate gain. PIAA also believes that giving a five year adjustment opportunity obviates any need for adjustment assistance.

The introduction of the GST has implications for the book, newspaper and magazine sectors as these have not been subject to the wholesale sales tax so costs to the consumer will increase. While the GST is applicable to imported as well as locally produced goods many books will be purchased on the Internet and it will simply be impossible to levy a GST on these imports. A similar situation will arise with regard to imported direct mail magazines.

The EPICS scheme recognises this disability so far as books are concerned.

PIAA would also like to see the adjustment period (i.e. 2000 - 2005) used to ensure as far as practicable that non tariff barriers used by our trading partners are eliminated. For example, in Indonesia printed matter printed in the Indonesian language is a prohibited import.

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The Printing Industry Competitiveness Scheme (PICS) will, of course, no longer be required as imported paper becomes tariff free , although the Enhanced PICS will continue for its current four year life and be reviewed before its expiration.

So far as the Tariff Concession System is concerned it seems to be absurd that consumption goods are duty free under the system and production goods are dutiable at 3 per cent. This is an iniquitous revenue measure that should be removed as soon as possible.

The major Policy By-Laws used by the industry are Items 39A, 39B and 39C of the Fourth Schedule of the Customs Tariff where end use provisions are in force and Item 57 which allows for a range of printing consumables and materials such as paper and plastic film to be imported duty free where the imported goods have a substantial and demonstrable performance advantage , in the production of a specific end product, over substitutable goods produced in Australia.

All of these provisions should be maintained until a zero tariff regime has been achieved.

PIAA members also take advantage of the Manufacture in Bond and Tradex schemes which assist export endeavours and these should also be retained.

#### SUMMARY

PIAA believes that a zero tariff regime should be introduced on 1 January 2005 and that there should be no exceptions , no phasing and no adjustment assistance as the time frame allows for the necessary adjustments to be made.

Concession schemes should be continued until that time, although production goods imported under the provisions of the tariff concession system should be duty free from 1 January 2001 or earlier if practicable.

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Tariffs impose a significant burden on industries forced to import a range of materials and equipment and, of course, there is considerable community cost.

The printing industry has continued to adjust to declining assistance levels over the years and despite intense competition from overseas, in particular from Asia, it has continued to develop, to embrace rapidly changing technology, to adopt world's best practices and make a considerable contribution to the Australian economy.

It will continue to do so.

The Association thanks the Commission for this opportunity to present a submission and stands willing to provide any information that will assist the Commission in its review.

12 January 2000.