

PRODUCTIVITY COMMISSION
REVIEW OF AUSTRALIA'S GENERAL TARIFF ARRANGEMENTS

PENRICE SODA PRODUCTS
Public Submission

INTRODUCTION

This submission has been prepared by Penrice Soda Products for the review of Australia's general tariff arrangements.

BACKGROUND

Penrice Soda Products is Australia's only producer of soda ash and sodium bicarbonate. Soda ash is a vital ingredient in products ranging from container, automotive and construction glass to washing powder, while its production of sodium bicarbonate meets needs as diverse as stock feed and baking powder. These products are also supplied to a broad range of other applications including mining, textile, metals, wool, chemical and pharmaceutical industries, for building and construction, and for environmental control and water purification and is a recognized national strategic industry.

A study by the South Australian Centre for Economic Studies recognised Penrice Soda as a major contributor to the State's economy, on a par with industries such as the manufacturing of footwear, clay products, and agricultural machinery and equipment. The study found that by 2002 Penrice's operations would contribute \$120 million to gross state product and to the provision of more than 1300 jobs, generating \$68 million in household incomes.

Penrice is also involved with the 180 megawatt private co-generation power plant that provides Penrice with steam to produce soda ash, replacing its gas-fired boilers with a co-generation process, which will half energy wastage and cut carbon dioxide emissions by twenty per cent.

PENRICE SODA PRODUCTS - MARKETS

Penrice is a critical supplier to many Australian industries, including the wine and automotive industries. Most of Penrice's soda ash is used in glass manufacturing, either for container glass (jars, beer, wine and soft drink bottles, and drinking glasses), flat glass (windows in houses, buildings and cars) and fibreglass.

Soda ash is also a key ingredient in domestic and industrial cleaners, such as biodegradable detergents, for which Penrice is a major supplier, and a neutralising agent in the mining and metals industries. Soda ash also plays an important environmental function, used to adjust the alkalinity and acidity controls of soft water, to adjust pH levels in waste water streams prior to discharge to the environment.

Penrice also supplies its sodium bicarbonate, a unique and versatile ingredient, to a range of products and industries from toothpastes and other cleaning agents, to the

Penrice Soda Products submission to Productivity Commission
Review of Australia's General Tariff Arrangements
03/02/00 Page 1 of 3

61 8 8402 7269

pharmaceutical and agricultural industries, and into food preparation products, such as a biscuit and cake mixes.

Sodium bicarbonate is used mostly as baking soda in food products and to major cattle feedlot and poultry producers as a feed supplement to prevent high acid build from grain feed. It plays an important health function used in solution by people suffering renal failure.

COMPETITIVE MARKET

Our competitors (the most active being USA and China based) sell soda ash and sodium bicarbonate into Australia at 2.5% (China) and 5%(USA) duty for soda ash and 0% duty for bicarbonate.

When, we on the other hand attempt sell soda ash to USA & PRC the duty is currently 12% and 35% respectively.

The Chinese especially, are trying to export to Australia below their cash manufacturing cost (dumping) and large losses from major plants have been reported in the Chinese press during 1999.

We have been concerned with the costs used for dumping analysis particularly for products from countries in economic crisis or in transition and would want see the cost of environmental control included into any cost structure.

The tariffs applied to Soda Ash imports to Australia are 2.5% for developing countries (including PRC) origin, however as we have pointed out there is no level playing field!

Our exports to the PRC currently attract 35% duty for soda ash and 45% for sodium bicarbonate plus 17% VAT on both products.

We are also aware that Chinese producers of soda ash receive VAT credit as an incentive for Soda Ash and Sodium Bicarbonate exports which is of the order of 17% of FOB value.

A similar situation also applies to Sodium Bicarbonate which is a down stream added value product form of Soda Ash. There is no tariff into Australia which is inconsistent with the Australian soda ash tariff and exports to PRC attract 35% duty.

Penrice Soda Products is facing increasing competition from Chinese and American Soda Ash and Sodium Bicarbonate manufacturers at what we believe to be dumped prices.

PENRICE REVIEW OBJECTIVE

Our issue is and remains that aggressive pricing by Chinese exporters of Soda Ash and Sodium Bicarbonate has forced Penrice to reduce its pricing in Australia in order to defend our market share and that we believe the pricing involved is equivalent to "below cost" ex plant.

**Penrice Soda Products submission to Productivity Commission
Review of Australia's General Tariff Arrangements
03/02/00 Page 2 of 3**

61 8 8402 7269

Penrice seeks in this review process a review of the Sodium Bicarbonate duty into Australia in view of the above disparity (at least); and to harmonize the duty on Sodium Bicarbonate to that of Soda Ash.

End of Submission

**Penrice Soda Products submission to Productivity Commission
Review of Australia's General Tariff Arrangements
03/02/00 Page 3 of 3**

61 8 8402 7269