

**AUSTRALIAN MUSIC ASSOCIATION INC.
SUBMISSION TO PRODUCTIVITY COMMISSION
GENERAL REVIEW OF TARIFFS**

The Australian Music Association represents the wholesalers and retailers of musical instruments, music technology, audio equipment and sheet music. The wholesalers represented number 53 and include the major importers of such equipment. The Association represents the interests of nearly 200 retail businesses nationally.

Well over 95% of all musical product consumed in Australia is manufactured overseas. Australia has one principal manufacturer of guitars, a number of small drum/percussion and professional audio manufacturers. However, the vast majority of product in Australia is manufactured elsewhere and imported.

In the recent removal of the 5% Tariff Concession Order on electric guitars, no consideration was for instance given to the variety of price points applicable to guitars. The imposition of a 5% duty on all electric guitars discriminates against the importers of entry to mid-level product, and thereby the consumer, upon whom the industry relies at those levels to drive our market. This duty keeps prices unnecessarily higher than they need be, whilst not providing protection to the Australian manufacturers of such product. Locally manufactured products do not compete in this area.

The Australian manufacturers are an important member of the music products industry. However, the nature of the Australian manufacturer is one which produces high value, but low volume products in the areas principally of guitars, percussion and amplification.

Entry level product in Australia is almost exclusively manufactured in Asia. This evolution has been rapid, and will continue in the future. Australian manufacturing cannot compete with this manufacturing base in respect of instruments which encourage parents to invest in a musical opportunity for their children, and for younger people to make their own choices.

This is the industry's main driving force. It lays a solid foundation for industry growth, and ultimately benefits the Australian manufacturer, as consumers seeking their product as their musical pursuits mature, have been encouraged to enter the industry by having access to good value entry level product.

In the last financial year, for example, some 28,000 electric guitars were imported into Australia. It is estimated that perhaps 1,000-1,250 guitars were manufactured in Australia. A tariff of 5% on this category particularly only serves to increase the price of instruments to the consumer, and offers very little real protection or benefit to Australian manufacturers and makers, who tend to produce higher cost (sometimes individualised instruments) instruments.

In the area of acoustic guitars in the last financial year over 64,000 units were imported into the country. Of these it is estimated that 5,000 may have been made in Australia.

Again these guitars are in the higher of the price brackets in respect of acoustic guitars, but do compete with imported products at similar price points, but do not compete with the entry-mid level market.

The current tariff regime discriminates against the many instruments at the lower price points, and therefore entry level, which Australian manufacturers cannot or do not produce. Therefore the tariffs discriminate against the average working Australian who wishes to give their children a musical education.

World wide research has proven scientifically the value of a music education to a child's development both academically and socially and the general benefits of an active role in music can be a fillip in areas such as health and well-being.

Our industry contends that the tariff regime has the ultimate effect of making the instruments more expensive for the consumer – it is in effect purely another tax the industry and the consumer must suffer, for no measurable economic benefit.

From the sale of a musical instrument the government can expect it's fair share of revenue. The economic and social benefits of affordable student level instruments, lower industry costs and consumer confidence in price levels will continue to contribute positively to the collection of government revenue.

The music products industry, like any other, seeks to deliver product to consumers at the most competitive price, and the tariff regime as it relates to certain product groups:

- contributes to unnecessary compliance costs
- keeps prices higher than they need to be in product areas where local manufacture does not compete
- increases industry costs, and affects industry employment levels

The removal of the duty would help stimulate the market for the Australian manufacturers of high priced and arguably quality instruments made in a largely cottage environment. By stimulating the entry level our industry grows from a stonger base, one more likely o seek higher quality instruments as their participation continues.

The availability to the consumer of quality, affordable musical instruments is our industry's aim and it should be the government's aim. Our industry contends that the tariff regime as it applies to our industry is restricting the development of our youth whilst affording no protection to Australian manufacturers, who do not produce "student" instruments.

The association trusts that the above points are helpful in the process of government investigations into lower level tariffs.

Australian Music Association Inc
June, 2000