

ROAM

Remove Obstacles to Australian Manufacture

Over the past 40 years or so Manufactures as a proportion of GDP have declined from around 35% to below 10% and falling. Many private sector economists believe that the Australian economy cannot be sustained in the longer term if serious steps are not taken now to reverse this trend.

Australia is a high labour cost economy and hence will not be able to manufacture goods that will be cost competitive with lower labour cost countries but there are many areas where we could produce cost competitive goods but are prevented from doing so by Legislation & Regulation that serves no real purpose other than to guarantee that we export manufacturing jobs.

ROAM is an informal group of concerned Australian business people that have experienced how one area of Legislation has contributed to (& continues to do so) the export of jobs & the decline in manufacturing in Australia.

All manufacturers of goods use raw materials/ingredients in their manufacturing processes. As a simple example: the fabrication of metal requires welding rods (made from various ingredients), the use of fasteners that required lubrication during manufacture, anti corrosion protection whether by painting or galvanising or more sophisticated processes etc etc. all require ingredients. Each component part (ingredient/raw material) of each product used in these examples is by definition, an industrial chemical and as such is subject to the NICNAS legislation.

NICNAS (New Industrial Chemical Notification & Assessment Scheme) is one such area identified that prevents the use of new raw materials/ingredients by manufacturers & exerts controls on the use of existing raw materials.

NICNAS requires that all new substances be accredited before listing on the Australian Inventory of Chemical Substances (AICS). Such accreditation is time demanding & extremely expensive with estimates ranging between \$250,000 & \$500,000 per ingredient. All new ingredients must be accredited even if safer than the one being replaced.

We will present to you examples in support of our claim that this legislation is contributing to the demise of Australia as a manufacturing economy and we will suggest options that will still address the very reasons given for enacting the NICNAS Legislation initially- ie to protect the worker, the environment & the consumer.

ROAM has been making representations to Ministers for many years but most seem not to appreciate that NICNAS is harming our economy by it's effect on manufacturing industries generally- many seem to see it as a chemicals & plastics matter. Our attached document by providing examples & a simple, no downside solution, hopefully will enlighten the Commission to the real disasters created by NICNAS.

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NICNAS – Removing Australian Jobs.

Australia's New Industrial Chemical Notification & Assessment Scheme (NICNAS) has since its inception contributed enormously to the "dumbing down" of much of our manufacturing industries and to the shifting of many jobs overseas. The future of the Australian economy is in grave danger of collapse due to the burden that NICNAS places on it in general & specifically on the manufacturing sector. It must be clearly understood that this is not about the manufacture of new substances in Australia but about ALL of our manufacturing industries-it is impossible to name a manufacturing industry that is not effected by this legislation.

NICNAS was established initially at the behest of the Arts & Heritage people in the Federal sphere. It was suggested that the health of workers, consumers & the environment were at risk if Australia did not introduce its own regulatory scheme over new substances (mainly industrial chemicals). Australia already had (& continues to have) its own regulatory schemes covering agricultural & pharmaceutical substances.

Users, manufacturers & importers of such substances (industrial) are required to pay an annual registration fee to NICNAS based on the turnover of their organisation. Further, any Company wishing to "introduce" (ie manufacture or import) a new substance must pay a fee to NICNAS plus provide an enormous amount of data plus contend with delays while that substance is accredited by NICNAS. This process is required regardless of accreditation or accepted use by a number of overseas countries operating with the same ideals as NICNAS in Europe, Japan, USA, Canada etc. A number of Australian Companies have suggested that aside from NICNAS fees it costs somewhere between A\$150,000 & A\$250,000 per substance to obtain NICNAS accreditation.

Obviously any such costs must be recovered but in so many cases the volumes are such that this is not possible-hence new substances are not introduced meaning that Australian Companies are denied access to the latest raw materials and must either move off shore or continue to struggle on using old technology. It is plainly ridiculous that Australia should have its own special accreditation scheme especially when you consider that the Australian Inventory of Chemical Substances (AICS-the list of substances that can be used in Australia) contains around 41,000 substances (around 3,000 have actually been accredited by NICNAS with the remainder "allowed" because they were listed around the time that NICNAS was created) but the European system lists over 110,000 substances! With the current average of 250 accreditations pa (by NICNAS) it would take around 300 years for Australia to catch up! How can Australian consumers of substances-our manufacturers-survive let alone compete in international markets.(some examples of NICNAS impeding manufacture are listed later).

Suppliers of an accredited substance must supply to the end user, a Material Safety Data Sheet which has an approved format & must contain any hazard data, toxicological data, health information, how to handle spills etc etc. It is the right of any worker or consumer to be able to access this data which, provided it is kept up to date really should be all that is required. If one felt that there should be more then simply accept the European system-why must we in Australia re-invent the wheel especially when there is no benefit possible to Australia.

NICNAS has saved not one life within Australia & never will. One assumes that such regulation means that dangerous or environmentally hazardous substances will not be allowed-this is not the case. Any substance "introduced" correctly (ie the paperwork is OK &

the monies paid) must be accredited by NICNAS so one might ask how is the worker, the consumer, the environment to benefit from this Legislation-no cost benefit analysis could possibly support NICNAS.

Existing substances (ie those listed that may have been accredited by NICNAS or simply “grandfathered” at the outset must continually have their hazards & data generally updated in light of current information. To some extent this happens now with NICNAS (Prescribed Existing Chemical-PEC-program) but the process is terribly flawed. A similar program introduced in Europe (REACH) to examine/accredit all “existing-grandfathered” substances has resulted in much of Europe’s production of such items to China. As well as the economic loss one must also realise that there is a significant environmental cost to the world by shifting to coal fired energy (China) compared with largely nuclear in Europe. NICNAS recently called for submissions on their extended program for a new model for assessment of existing chemicals. This amounts to further unnecessary duplication & places a further & considerable burden on business.

Prime Minister Howard, just after he was first elected called for a report from Prof. Bell on red tape problems for business. It seems that every one of Professor Bell’s recommendations were acted upon with the exception of his recommendation that the subject of NICNAS be referred to the Productivity Commission?? There has been an “industry group” enquiry but NICNAS wrote the terms of reference & these included that the legislation would remain. The only prospect available for industry was some fiddling at the edge of the problem. Some adjustments came about in areas such as “chemicals of low regulatory concern” which frankly has not contributed greatly in overcoming the fundamental negatives of NICNAS.

A few examples of NICNAS costing the Australian economy:

1. Australian Leather Holdings in Perth employed 250 workers lost a number of overseas contracts when it found that some chemicals necessary for its furniture leather finishes could not be used in Australia because of NICNAS. The delays in obtaining NICNAS accreditation meant that many contracts in Asia were lost. Leather finishes are largely developed in Europe & the USA so every time a new substance is developed ALH must accept a year’s delay plus loss of business during that period-all because of a duplicitous process-NICNAS.

2. Dupont spent over A\$500,000 over three years trying to have a new, proprietary solvent accredited by NICNAS that is safer & more environmentally acceptable than those products they sought to replace. Dupont pointed out that in the USA many types of paints that are commonplace in Australia have been effectively banned due to their toxicity but the newer technology paints with less environmental impact are denied Australia because vital ingredients are not accredited. Two out of three products planned to be sold within Australia have been dropped because the time & cost of accreditation could not be justified.

3. Rebound Ace tennis courts are the province of a Queensland based Company . Rebound Ace is the surface used at the Australian Open in Melbourne & the Sydney Olympic Tennis Centre (& many other venues). Exports are made all over the world (Martina Hingis has two such courts). New technology became available for a water based two part epoxy paint system that would be superior & more environmentally acceptable than the solvent system in use. One ingredient used in small quantities in the water based paint system could not be used (NICNAS) but the cost of accreditation was such that the penalty on cost of the paint was too great (in Australia) so Australia lost export opportunities and the chance to eliminate a solvent paint system with a water based system.

4. Most road surfacing in Australia uses bitumen cut back with petroleum solvents which evaporate & impact on the atmosphere. In Europe & the USA bitumen emulsifiers are used so the bitumen is applied as a water based emulsion. The latest emulsifiers used contain ingredients not listed on the AICS.

5. A water repellent coating primarily for use on aircraft windshields cannot be manufactured in Australia because the key ingredient is not listed on the AICS. The total volume of the ingredient that could be used (if accredited) is such that the cost of accreditation cannot be justified.

6. Currently a liquid photopolymer is used within the printing industry for use in printing corrugated cardboard. In principal an excellent closed loop system where all unused polymer is recycled. However the polymer contains a monomer that has a high odour & high skin sensitisation levels. A new monomer enjoying wide use in the USA is available that does not have these shortfalls-not listed on the AICS. Either we put up with a process that impacts negatively on worker health or we export the job of printing cartons!

7. An importer wanted to introduce a new bacterially active substance for use in anti perspirant /deodorants. The substance is accredited for use in Europe, USA & Japan. The cost of NICNAS accreditation was such that introduction was not completed & large export contracts for a local personal care manufacturer were lost.

8. A major producer of printing inks in competition with imports finds that imports often contain ingredients not listed on the AICS or on the MSDS. Those ingredients cannot be used in Australian manufactured inks but the imported products are not assessed/tested by NICNAS in spite of referrals from local makers.

Already a large proportion of Australian wine labels have to be imported because local ink makers cannot match the quality of the imports due to NICNAS.

9. One of the two local powder paint producers claims that TGIC, used in 80% of their powder paints, is not a very "nice" substance but its presence in powder paints gives a far superior end product. Because of previous initiatives by NICNAS & others TGIC has been a prescribed chemical on several occasions. The use of TGIC means that local producers of powder paints in which TGIC is used must carry warning labels. Not a problem, but when imported products appear that have no warnings one of two deductions can be made:

A) The import contains TGIC & the importer is ignoring our local regulations

OR

B) More likely, the replacement ingredients are not accredited under NICNAS so the owner of this/these substances (or his agent) cannot openly declare their use in the Australian market.

10. A coil paint maker was faced with almost 12 months delays due to the almost laughable "loss of funds by NICNAS" for a new substance which will be used at a rate of 300kg p.a.. The additive (accredited in the USA & in Europe) is both non hazardous & FDA approved for food contact.

11. A major multi national who manufactures resins etc in Australia wanted to make in Australia a new foundry sand binder (core making) principally for use in automotive foundries. (We have two automotive foundries left in Australia with one of those closing at

the end of 2006).The new system offered performance, environmental & O H & S benefits. One of the components of the core binder/sand binder was not listed on the AICS so because of time & costs of accreditation the product was dropped. This means Australian automotive foundries cannot compete with imports & then will also lose out on export opportunities. Already we import the Commodore, Magna & Camry motors-soon the Falcon engine will be imported.

12. Australia , through a Federal Government agency traditionally lumped together the tent requirements of a number of Departments (including Defence, Foreign Aid, State Departments etc).Our needs were supplied by local manufacturers until it was realised that the dyes specified (by their CAS numbers)were not listed on the AICS. Needless to say manufacture of the tents was carried out off shore -supplied to specification. It is believed that we no longer have a capacity to produce canvass tents.

13.Plastic bags as supplied in supermarkets of the biodegradable type manufactured from a corn starch derived polymer are being imported into Australia. However that same polymer is not listed on the AICS so it cannot be imported and converted into safe, environmentally desirable plastic bags by Australian producers.

14.Photocopier toners are a classic small overall market volume segment. Due entirely to the cost of registration of resin ingredients accredited & in use overseas such toners cannot be manufactured in Australia. However they are imported as finished products. Local toner manufacturers are losing heart & closing their research departments as a first step to shifting toner manufacture overseas.

It has been suggested that NICNAS is anti competitive & as such should be referred to the ACCC. Most certainly Australian manufacturers are disadvantaged by NICNAS in the export of their manufactured goods. We are constantly regaled by our political leaders that Australia needs to be innovative in the technology sense-extremely difficult under NICNAS.

Whilst it is claimed that NICNAS is now self sufficient in that the funds received remove any cost burden from Government, the truth is that the incredible cost to our economy through loss of manufacturing is not at all appreciated. NICNAS will continue to cost the Australian economy & as more jobs are exported then the standard of living of Australians will fall further.

The simple solution is to leave the NICNAS legislation largely in place but allow automatic listing on the AICS of any substance listed on the European & USA systems. Any removal of accreditation(listing) in Europe or USA to result in delisting from the AICS.

At the same time we should, through Worksafe Australia, ensure that data pertinent to the use of substances in use is constantly up-dated.

Many believe that it may already be too late but unless swift action is taken to allow Australian manufacturers generally to compete on a level playing field then our economy faces irreparable damage. We do not advocate deregulation of chemical substances/ingredients/raw materials, only a more viable solution than currently provided by NICNAS.

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