10th January 2000

Review of Australia's General Tariff Arrangements.
Productivity Commission
P O Box 80
Belconnen ACT 2616

Dear Sir/Madam,

Ref: Tariff Codes 7219/7220

We would like to make this submission for your consideration in the review you are conducting into Australia's general tariff arrangements.

Austral Wright Metals is a wholly owned company of Crane Group Limited, a listed Australian Public Company, and is the metal distribution arm of the Group.

Crane Group Ltd has a number of companies within the Group who manufacture semi-fabricated metal products and Austral Wright Metals acts as a distributor of those products as well as semi-fabricated products imported because there is no local manufacturer.

The major focus of this submission is in Tariff Codes 7219/7220 which covers stainless steel products none of which are manufactured in Australia.

The products covered in these tariff codes are imported into Australia in a semi fabricated form and used in the manufacture of stainless finished products such as dishwashers, kitchen sinks, milk vats, wine storage etc.

Although Austral Wright metals acts as an importer and metal distributor and pays the 3% duty, the cost is passed onto the manufacturer recognised as a government tax.

It is our opinion that if the 3% tariff was removed on these tariff codes, it would:

a) Encourage the development of sustainable, prosperous and internationally competitive industries in Australia.
b) Promote the provision of high quality, competitively priced goods and services to Australian businesses and consumers.

Sincerely,

TERRY DONKIN
GENERAL MANAGER

SUBMISSION

REVIEW OF AUSTRALIA'S GENERAL TARIFF ARRANGEMENTS
JULY 2000

Stainless Steel covered in Tariff Codes 7219 and 7220 is used in many market segments in Australia.

The stainless steel is imported in a semi fabricated form and then passed through a local manufacturer with the finished product used in the segments shown above..

The price charged by overseas stainless steel producers to the Australian market is always competitive and is based on the prices quoted in the Hong Kong market which is considered the most competitive in the world.
So local manufacturers have a CIF price for the raw material that is competitive with anywhere in the world. The addition of a 3%duty adds approximately 158AUD per tonne to their raw material costs which would be passed to the end user of the finished product manufactured.

The stainless steel covered in these tariff codes was, up until May 1997 manufactured in Australia by BHP and had a tariff of 5% to protect the local manufacturer.

Following the introduction of a 3% tariff on imports for business inputs in 1996, BHP announced the closure of its stainless steel mill. As a consequence all stainless steel is now imported but with a tariff of 3%.

Market Segments (tonnes)		
Architectural/Construction	3000	3.5%
Automotive	7000	8.2%
Food and Beverage	8000	9.4%
Food storage/preparation	10000	11.8%
Industrial	10000	11.8%
DomesticHousehold Products	8000	9.4%
Marine	2000	2.4%
Resources processing	4000	4.7%
Petrochemical	3000	3.5%
Transport	6000	7.1%
Medical & Hygiene	2000	2.4%
Wine Industry	10000	11.8%
Other	12000	14.0%
Market Size	**85000**	**100.0%**

The stainless steel covered in tariff codes 7219 and 7227 represents an Australian market of 85,000 tonnes. The tariff charged on this raw material represents 14 million AUD annually that is passed to the end consumer. With Australia's per capita usage of 5 kgs being very low when compared to other countries (Japan 20 kgs, Italy 30 kgs) it is likely there will be significant growth in the future. Do we want this growth to be in imported finished product or in imported raw material used by domestic manufacturers?

We believe the removal of the 3% tariff on codes 7219 and 7220 will help make local manufacturers more likely to have a greater share of the increased demand.

We support the removal of the tariff covered under codes 7210 and 7220 and following is an assessment of the effect it may have in:

a) Encouraging the development of sustainable, prosperous and internationally competitive industries in Australia.

b) Promotion of high quality competitive priced goods and services to Australian businesses and consumers.

1. ENCOURAGE THE DEVELOPMENT OF SUSTAINABLE PROSPEROUS AND INTERNATIONALLY COMPETITIVE INDUSTRIES IN AUSTRALIA.

The stainless steel covered in tariff codes 7219 and 7220 is used in many industries throughout Australia. In our submission we would like to use the Wine industry as an example of how the tariff removal may help growth in this industry.

The last few years has seen huge growth in the Australian Wine industry. Exports of wine have grown to 3% of the world consumption and the Australian Winemakers Federation have set the target of achieving 6.5% of the world market by 2025. This growth will be export driven against a background of high domestic volumes. A factor required in achieving this goal is the need for greater efficiencies and lower costs within the Australian Wine industry.

You may ask, "What has this got to do with stainless steel?"

Stainless Steel has played a major part in helping the growth. It is used in storage and fermentation. Australia has been at the forefront in the development of stainless steel for use in the Wine industry and leads the world in this technology.

Wine Tank and Fermentation manufacturers of stainless steel have set up operations in country Australia in places such as Griffith NSW, Renmark SA, Murray Valley SA, Riverlands SA, Eden Valley, Coonawarra etc. These manufacturers required skilled and unskilled workers and became large employers in the towns where they are located. This has led to more jobs and a revitalisation of towns industrial base.

The Wine industry consumption of stainless steel is forecast in 1999 to be 8000 tonne increasing in 2002 to 12000 tonne. The elimination of the 3% tariff will immediately reduce the cost of equipment used for storage and fermentation by the Wine producer. This in turn would make more money available to increase storage, it would also give greater efficiencies and thus lower costs of Wine.

If the Wine companies were to use savings as a result of the tariff withdrawal in increasing storage capacity then more jobs would be created in country Australia.

2. PROMOTE THE PROVISION OF HIGH QUALITY, COMPETITIVELY PRICED GOODS AND SERVICES TO AUSTRALIAN BUSINESSES AND CONSUMERS.

The stainless steel covered in tariff codes 7219 and 7220 is used in large quantities in the manufacture of locally produced white goods and kitchen sinks.

Both these industries are large employers of people and over the past years there has been major rationalisation of the manufacturing in Australia so that the domestic manufacturers may compete with the imported products.

Stainless steel is now being used in more appliances, where higher quality longer lasting product is required and is available in imported product. As no stainless steel is made in Australia the product is imported and the 3% tariff applies to the raw material.

In applications where stainless steel is used as a raw material for manufacturing, there is no substitutionary material as yet available from Australian manufacturers so the Australian manufacturer has no option but to purchase the imported stainless steel and pay the applicable duty.

Although a 3% tariff applies to the imported finished product the 3% tariff on the raw material does not give the local manufacturer any protection to compensate for the small Australian market where quantity of scale does not apply.

The 3% tariff equates to approximately 220AUD for each metric tonne of raw material used to manufacture the finished appliance. If the tariff was removed on the raw material it would make locally manufactured goods cheaper and more attractive to the consumer. Increased sales of locally manufactured product would decrease imports and help reduce the balance of payments deficit. Increase in domestic demand would also have a positive effect on employment.

Stainless in the tariff codes 7219 and 7220 is also used in large quantities in the manufacture of coal wagons and railway carriages. Approximately 4000 tonnes a year of stainless is used in these industries. The 3% duty of approximately 158AUD per metric tonne is passed directly to the owners of the rolling stock. State goverments are in many cases the owners of the rolling stock and have to pay the 3% tariff imposed by the Commonwealth. As coal wagons have a limited life any reduction of the tariff would help to make the cost of shipping coal more efficient and help with exports.