

Australian Steel Association Inc

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- Submission: Follows

- Proposals:
 1. Retain the Tariff Concession System until year 2009
 2. Remove the 3% revenue tax on concession items from a.s.a.p. or from 1/7/2000
 - 3% tax was “only” to balance the budget in 1996
 - Budget is now in surplus
 - Tax is perverse, especially on industry inputs such as:-
 - Stainless Steel
 - Aluminized Steel
 - Seamless Steel Pipes
 - Remove anomalies
 3. Maintain the 5% general rate of Tariff **Assistance** on non-concession goods but from 1/7/2000, adjust the rate to reflect the increased cost of imports from the GST and any shift in the basis of duty calculation from F.O.B. to C.I.F., etc..
 4. Commission needs to ensure that the commencement of the GST does not bestow unintended protection or assistance to those local industries now receiving 5% Tariff Assistance.
 5. Please contact us for any further detail or supporting information.
 6. ASA does not intend to present this Submission at the Hearing Process but would like the opportunity to receive any future correspondence from the Commission and to respond to the Commission’s Draft Report.



Australian Steel Association Inc

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REVIEW OF AUSTRALIA'S GENERAL TARIFF ARRANGEMENTS

1. Scope of Inquiry

Issue 1: Post 2000 reduction in the General Tariff - 5% rates.

- Costs and benefits to Australian consumers, industries employees, and general community

Issue 2: Interactions with the Tariff Concession System

2. Interest in Inquiry

Australian Steel Association Inc (ASA) is an umbrella industry association comprising member companies whose activities involve:

- A reliance on imported steel products because of the Australian producers restrictive marketing and distribution practices.
- Manufacture, processing conversion, etc. of steel products into useable forms of industry inputs.
- Marketing and distribution of steel products including trading, stocking, transportation, etc..
- Founded in 1977, ASA is an incorporated, not for profit organisation.

- Membership comprises 63 companies of Australian and New Zealand "Origin".

3. Specific Interest Issues

3.1 Imported steel products of essentially chapters 72, 73 and 74 of the Customs Tariff.

3.2 Chapter 72 items comprise mainly **intermediate** materials requiring **further processing** and **transformation** (value adding).

As such, chapter 72 items are essentially industry inputs which when imported, attract duty rates of 5% or 3%, although some country's items have zero duty.

3.3 Chapter 73 and 74 items are Steel Tubular and Pipe products used in the structural, manufacturing, oil well and conveyance sectors.

The Steel Tubes and pipes are either: -

- Chapter 73: Seamless, for critical applications such as chemical and refinery operations.
- Chapter 74: Welded, for gas and water applications, being from domestic and project pipelines, and structural, architectural applications.

4. Request

4.1 Commercial Tariff Concession System should remain until free trade by means of zero duty is effective on imports into Australia by year 2010, and goods not manufactured in Australia should be "concessional".

4.2 Duty rate for 'concession' approved items should be returned to zero effective July 1, 2000; as the existing 3% revenue tax is clearly and demonstrably, perverse.

4.3 General duty rate of 5% should remain beyond July 1, 2000 but should be adjusted downwards to reflect the increased cost imposed by the GST on dutiable imported goods.

5. Basis for Request

5.1 Tariff Concession System

Specific examples in our mind are the following types of steel not produced in Australia, being critical and costly industry inputs that need to be imported, and which a 3% revenue tax is imposed on Australian industry, consumers and general community.

- Stainless Steel Flat Products
- Aluminized Steel for Non-Muffler Applications
- Seamless Steel Pipes and Tubes

5.2 Anomalies also need to be addressed such as concessions based on specific end uses – ie. Exhaust Mufflers – being zero duty and the identical material used for say consumer appliances being 3% or 5% duty.

5.3 The most compelling reason for the abolition of this 3% impost is that its reason for being introduced no longer exists – the budget is in surplus.

5.4 The Minister responsible for the 3% tax, John Moore, has, we understand acknowledged that the tax was inappropriate.

5.5 For any tariff measure to have legitimacy, it must, by definition, **assist** local industry.

5.6 The 3% has the opposite, and most adverse affect on local industry.

5.7 Stainless Steel imports are a classic illustration.

5.8 The GST will only exacerbate the current unnecessary impost on industry users reliant on imported inputs not produced or manufactured in Australia.

6. Basis for Request

GST FACTOR

6.1 GST adjustment factor is considered real as Customs entry formalities will be the first point of collection and the 5% duty component will be included in the GST calculation.

6.2 Currently, the value for duty basis is F.O.B.:-

Say: F.O.B. A\$1,000
 @ Duty 5% = \$50

6.3 Commencement of the GST will mean

	<u>With Duty</u>	<u>No Duty</u>
Say: F.O.B.	A\$1,000	\$1,000
Plus: Frt, etc.	200	200
Plus: Duty 5%	50	
Plus: Other	<u>50</u>	<u>50</u>
Basis for GST	\$1,300	\$1,250
@ 10% =	\$130	\$125

6.4 Without the duty component, the GST payable would be \$125 – being \$5 less than “with duty included”.

6.5 Conclusion is that the 5% duty rate will mean paying an additional 10% duty.

6.6 The 5% tariff should be adjusted to **4.5%**.

CONCLUSION

- Australian manufacturing industry is entitled to receive minimum, but responsible levels of Tariff Assistance and for our sectors, that should remain at 5% to 30/6/2000 but adjusted from 1/7/2000 to year 2009 by the GST factor so as to prevent any unintended assistance making imported inputs less competitive.
- The retention of a minimum Tariff Regime for locally produced goods must be in partnership with a Tariff Concession System of zero duty until Australia achieves free trade.

COMMENT

- From our industry sector perspective, the greatest benefit needed to be realised from Australia's Tariff System is the retention, and then the sustainable development, of our value adding activities on steel products generally.
- Increasingly, finished, fabricated "components", "Structures", etc. are being imported at say 5% duty, or even less, as the duty differential on basic intermediate materials, say 3%, is insufficient to economically "justify" local design, fabrication, etc. capability in Australia.
- Australia's recent initiatives on Nuisance Tariffs is unlikely to have any significant or economy wide benefits. It should, however, be applauded, as a start to remedying the anomalies in our Tariff System.
- We have 'hammered" the abolition of 3% duty but the Commission would readily acknowledge this impost is contrary to economic policy objectives, including:-
 - Improving overall efficiency
 - Encouraging development of competitive industries
 - Local provision of high quality, competitively priced products to Australian consumers.
- We submit that a 3% tax, particularly with the advent of a GST, is hardly the preferred option for pursuing the Governments stated economic objectives.