DUNKLEY INTERNATIONAL Pty Ltd Advisers to industry on international trade, customs and indirect tax.

20 January 2000

The Commissioner
General Tariff Review Inquiry
Productivity Commission
PO Box 80
BELCONNEN ACT 2616

Dear Sir

Submission to the Review of Australia's General Tariff Arrangements

This submission is made on behalf of Panasonic Australia Pty Ltd (Panasonic), supplier to the Australian market of electrical and electronic consumer, commercial and industrial products.

Panasonic wishes to bring the Commission's attention to a number of matters where it believes the opportunity exists through this Inquiry to make some meaningful and economically sound changes to tariffs that are appropriate at this time.

Company Background

Panasonic was established in 1977 for the purpose of providing market penetration for goods manufactured by its parent company, Matsushita Electric Industrial Co. Limited and its global subsidiaries. Matsushita had at that time already established a manufacturing presence in Australia through its subsidiary Matsushita Electric (Australia) Pty Ltd which is still manufacturing colour televisions and monitors at Penrith in New South Wales.

The types of goods imported and sold by Panasonic include:- audio visual products, video and closed circuit TV cameras, home appliances, computer equipment, office equipment including photocopiers, facsimile machines, line and mobile telephones, musical instruments, batteries and power tools, large video projection screens including those used at the Sydney and Docklands stadiums.

Panasonic employs approximately 400 people in 4 capital city locations throughout Australia. Its annual sales turnover exceeds $600 million.

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Being a large importer, Panasonic has always maintained a good working relationship with the Australian Customs Service, Australian Quarantine and Inspection Service, Australian Bureau of Statistics and other Government agencies through sound business practices supported by a quality assurance system to ISO9002 standard.

Panasonic is in fact participating in an important reform process managed by Customs for all Government agencies involved in the overseas trade chain, called the Cargo Management Strategy. Panasonic's role in this process is as one of 8 pilot partners in the Accredited Client scheme which will, when operational, provide efficiencies to commercial import and export processes for all participating parties, of a scale not seen since the introduction of the automated on-line imports processing system COMPILE 25 years ago.

To illustrate one of the achievements of the scheme, Panasonic currently prepares and files 4000 separate customs entries per year. When the Accredited Client scheme is fully operational in 2001, that figure will reduce to 12 through a series of periodic returns.

Requests

General Tariffs

Panasonic acknowledges Australia's decision to remove tariffs by 2010 according to its APEC commitment. The company sees that this Inquiry is therefore not a vehicle to try to alter that position, just to assist in determining how best it is achieved with the least disruption to business. It therefore seems reasonable that a phasing regime from 5% to FREE over the next 10 years would be an equitable method of making this adjustment, giving industry time for adequate business planning.

The tariff Concession System should be retained

The TC system has been a very important component of Australia's tariff regime over many years. As tariffs were originally devised to protect local industry, the TC system and its predecessors has been an immensely effective and necessary tool for avoiding inadvertent and unwarranted protection where no local production exists.

The TC system is still a vitally important aspect of our tariff regime and should be retained until such time as tariffs are reduced to FREE.

Any attempt to remove the system would be seen as a revenue raising mechanism only and would have the effect of increasing taxes at a time when the community is already having to come to terms with another new tax - the GST. This impact would be substantial in that the additional cost to the importer, cumulatively compounded with mark ups, would be passed directly onto the manufacturer and the consumer.

Since the last review of the TC system, the legislation and administration of the system have been simplified and appear to be operating quite satisfactorily. Furthermore, it appears that the cost to administer the system is significantly reduced for the Australian Customs Service due to the largely self-assessable processes.

The 3% impose on business inputs subject to a Tariff Concession Order must be removed

Tariffs were originally devised to protect local industry. The current 3% duty on business inputs under a TCO was designed to raise revenue. By increasing the cost to local producers of their inputs, this effectively works as negative protection, i.e. local producers are disadvantaged against their overseas competition.

It is already known that some overseas producers have economic conditions which makes them more cost competitive than Australian producers. The further 3% duty on imports impacts specifically on local production which only adds to the competitive edge of overseas producers.

When looking on the likely effect of reduction of this duty, it is important to look at the broader economy. Firstly, the government and Reserve Bank are concerned about the likely inflationary impact of the introduction of the GST. If the 3% were removed, it would have a positive impact on this inflation. That is, inflation would be lower. Secondly, although the current economy is looking strong, planned business investment and unemployment are still stagnant figures. The removal of the 3% duty would make local production more viable, therefore providing incentive for investment which would increase employment.

When this impost was introduced the method of defining business inputs and consumption goods resulted in many anomalies which were the subject of much discontent at the time. The determination was made at the tariff sub-heading level. A sub-heading often contains goods of both categories, e.g. re-chargeable batteries (HS8507).

These anomalies should now be remedied by removing the 3% and making both business inputs and consumption goods FREE under a TCO.

More 'nuisance' tariffs to be removed

'Nuisance' tariffs are broadly described in the Commission's Issues Paper as those tariffs "………for which there is no significant Australian production".

Tariffs were removed on a range of such tariff sub-headings in November last year.

There are a number of such remaining tariffs used by Panasonic that failed to make the list in the last round. It is clear however that the sub-headings we now identify are in fact 'nuisance' tariffs and should have been removed previously.

In some cases it has been established beyond any doubt, because of the existence of TCOs covering the absolute range of goods falling within that sub-heading, that there are no goods covered by the sub-heading that are locally produced e.g. electric drills (8508.10). Others are not so obvious, but an analysis of the TCOs quickly confirms that the TCOs cover the vast majority, if not all goods that fall to that sub-heading e.g. non-rechargeable batteries (8506.10, 8506.40, 8506.50, 8506.80). Australian Bureau of Statistics figures should confirm that most goods imported under these sub-headings and others nominated in the table below are imported under a TCO.

The argument against a 3% duty on goods falling to nuisance tariff sub-headings mirror those applying to the previous section concerning the 3% duty on business inputs.

Panasonic has identified the following 'nuisance' tariffs and herein nominates the reason they should be removed.

1. Domestic microwave ovens (8516.50.00)
   Reason: TCOs cover all types of domestic microwave oven except where combined with non-microwave cooking appliances. Panasonic is not aware of any significant manufacture of such combined goods.

2. Television cameras (8525.30.00)
   Reason: TCOs currently cover all types of TV camera

3. Still image video cameras and other video camera recorders (8525.40.00)
   Reason: TCOs cover all kinds

4. Electric drills (8508.10.00)
   Reason: A TCO for "drills" covers all kinds

5. Non-rechargeable batteries (8506.10.00, 8506.40.00, 8506.50.00, 8506.80.00)
   Reason: TCOs cover all kinds. Panasonic is not aware of any significant local manufacture of non-rechargeable battery cells or battery packs falling to these tariff sub-headings

6. Portable radios (8527.19.00)
   Reason: TCOs cover most kinds. No significant local manufacture

7. Music systems (8527.31.00)
   Reason: Many TCOs cover most kinds. No significant local manufacture

8. Tuner amplifiers (known as receivers) (8527.39.00
   Reason: TCOs cover most kinds. No significant manufacture

9. Car radios combined with tape players/CDs (8527.21.00)
   Reason: TCOs cover all kinds. There is no local manufacture of this type of equipment.

Note:
I refer to item number 9, car radios combined with tape players/CD players. It is important to recognise that, although the substantive duty rate applicable to 8527.21.00 is 15%, it is NOT subject to the automotive industry assistance/protection regime by virtue of the fact that 8527.21.00 is not specified in the Excluded Goods Schedule, Schedule 2 to the Customs Regulations. Therefore there is every reason it should be considered a 'nuisance' tariff, given that there has been no manufacture of car audio equipment in Australia for many years. Furthermore, it is the industry's view that it is highly unlikely a company would commence manufacture of such equipment in Australia, there being virtually no manufacture of relevant components in Australia.

Panasonic trusts that these requests will be given due consideration. Please do not hesitate to contact me should you require any further detail.

Yours faithfully

MARGARET MILNE
Director