

SUBMISSION TO THE PRODUCTIVITY COMMISSION

REVIEW OF GENERAL TARIFF ARRANGEMENTS

Introduction

1. ISONET is pleased to make a submission to the Productivity Commission Review of General Tariffs on behalf of the ISO network. ISONET is a public company funded by the Commonwealth Government through the Department of Industry, Science and Resources, established to coordinate the activities of the network of State-based Industrial Supplies Offices (ISO), and to act as the link between the Commonwealth and that network. Although funded by the Department, ISONET is independent of Government, managed by a Board of Directors. This submission represents the views of the ISONET Board, and does not attempt to represent the views of the Commonwealth, State or Territory Governments.

ISONET and ISO

2. ISO offices are located in every State and Territory, located in the State capitals, with regional offices in Queensland, New South Wales, Tasmania and Northern Territory. The primary function of ISO is to undertake research on behalf of project managers and procurement officers, in both the public and private sectors, with a view to locating credible and competitive Australian (and New Zealand) companies that have the capability to produce the required good or service locally, thus avoiding an import. ISO overcomes a market failure existing through lack of awareness among corporate and project purchasing agents of the competitiveness and capabilities of Australian industry. ISO attempts to redress the market failure by facilitating linkages between buyers and suitable Australian providers, allowing increased consideration of local sources to be included in purchasing decisions.
3. ISO is mostly funded by the respective State or Territory Government, because there are benefits that flow to the economy from a redirection of imports to local industry. ISONET acts as the national coordination body for the ISO network, facilitating consistency and commonality of activity across the network. Some ISO funding is provided by ISONET, on behalf of the Commonwealth Government, where it is necessary to ensure a national focus is applied to ISO research relating to major development projects.¹
4. ISONET and the ISO network encourage potential importers to consider local sources of supply that are world competitive. ISO does not advocate buying Australian for its own sake, without consideration of value for money principles. Research is directed at locating the capability required, at the same time promoting to purchasers the whole-of-life benefits that can accrue from sourcing locally. More information on ISONET and ISO, and the means used by the network to promote its services are contained in the attached toolkit document.

¹ ISONET allocates funds for specific major project activity following successful submission by an ISO. The funds are made available to ISONET from the Government's Supplier Access to Major Projects (SAMP) Program, discussed further in para 21

Rationale For Making a Submission

5. ISONET works closely with Invest Australia to ensure new major project developers are informed of the abilities and services of the ISO network, encouraging early ISO involvement with project designer/specifiers. Project developers also seek the assistance of ISO during major project developments to aid in the processing of Project By-law submissions, an activity that is actively encouraged by AusIndustry.
6. Through its activities, ISO has developed extensive knowledge of the capabilities of Australian industry. It has become accepted by both Government and industry as the authority on industry capability. That status led to ISO being proclaimed as a “prescribed organisation” for the purposes of the Tariff Concession Scheme following changes to the Customs Act in July 1996. A “prescribed organisation” is one which intending applicants for a tariff concession can contact for assistance in determining whether a manufacturer of substitutable goods exists, prior to importation and application for duty relief. ISO does not make determinations on behalf of the Australian Customs Service (ACS), but the advice provided to applicants for tariff concession is accepted by ACS and used in their determination process. ISO is the only “prescribed organisation” to be promulgated to date.
7. Memoranda of Understanding relating to joint undertakings and activities have been signed between ISONET and ACS, and more recently with AusIndustry. On 18 August 1998, ISONET was invited by the then Minister for Industry, Science and Tourism, the Hon John Moore, to assist in a review of nuisance tariffs. That review concluded with an announcement by the Minister for Industry, Science and Resources, Senator the Hon Nick Minchin, on 20 September 1999.²
8. The activities undertaken in servicing requests for assistance relating to tariff concession applications, Project By-laws, and nuisance tariff research have provided ISO with a good understanding of the attitudes of companies regarding importation of competing goods, and the duty demanded. ISONET believes its involvement with ACS, the Department of Industry, Science and Resources, industry associations, and industry itself has provided working level knowledge of the advantages and disadvantages of the existing range of tariffs and their application, and offers this submission to assist the Commission in its deliberations.
9. Regarding the review of general tariff arrangements, ISONET concludes that Tariffs have enabled ISONET and ISO to gain early access to project developers to change perceptions concerning the competitiveness of local industry. Such experience indicates there needs to be some influencing factor that encourages importers to consider a local solution. Duty on imports, low though it may be, causes project developers to seek assistance from ISO to research local capability. Removal of duty completely would also remove the influencing factor. If and when duty rates diminish further, there needs to be some alternative influence to

² ISONET experiences with the review of nuisance tariffs are expanded on in paras 23-24

raise the importers' awareness of, and potential benefit from using, local capabilities. These conclusions are developed in the following pages.

Scope of Comments

10. Issues to be addressed in this submission relate to:

- protection versus the lowering of input costs to manufacture;
- the appropriateness of general and concession tariff rates;
- problems with ad hoc removal of tariffs from ranges of items; and
- non-tariff factors influencing investment.

11. Much of the comment made is based on observations and outcomes of regular discussions with companies during investigations of nuisance tariffs, and research done for applicants seeking duty relief, either through tariff concession or Project By-law.

Protection Vs Cost Of Input To Manufacture.

12. The most emotive issue regarding tariffs and rates of duty relates to protection. Whether justified or not, manufacturers, particularly small enterprises, view low rates of duty on goods they produce as disadvantaging them against global competition. They believe there are significant advantages (or fewer disadvantages) for manufacturers in countries exporting to Australia that make local manufacture uncompetitive. The basis for the belief is the cost which must be borne by all Australian tax-paying entities for the standard of workplace health and safety, the level of wages and conditions of employment, the benefits workers receive in leave, sick leave and long service leave, the standard of infrastructure, and the quality of the environment enjoyed by Australians. This is contrasted with a belief that some countries exporting to Australia do not impose such costly overheads to production, and therefore goods can be entered at much reduced prices.

13. Few would suggest Australia should reduce its standards. However, in a global trading environment, while there exists wide variation in social benefits and workplace standards, a stance by Australia which facilitates importation of manufactured goods instead of local sourcing could create perceptions of competitive disadvantage. Manufacturing, particularly advanced manufacturing, is important to the future of Australia, despite a strong growth in employment in the services sector in recent years. Data collected by the Australian Bureau of Statistics, and interpreted by J Marceau, G Tegart, P Sheehan, D Sicklen and others, indicates that:

- Manufacturing represents only about 15% of GDP but generates 50% of total productivity growth in the private sector.
- In the more advanced sectors, wages are generally higher than the national average, which in turn contributes to higher savings ratios and higher levels of effective demand.

- Manufacturing accounts for 57% of Australia's total business research and development expenditure, with more than half of this being carried out by advanced manufacturing firms.
 - Manufacturing firms contribute significantly to the increased employment in the services sector, with employment of service occupations in manufacturing now being 30 % and rising.
 - Manufactured imports exceeded exports by \$40 billion per annum.
14. Manufacturing industry, particularly advanced manufactures, should therefore continue to be nurtured to sustain the country's economic well-being. Calls for continued or increased protection by way of import duty by some industry sectors is not necessarily the answer to correcting trends in manufacturing. Higher productivity through use of innovative processes and techniques, together with investment in modern plant and equipment can counter cost differentials from countries with low overheads. Equipping project purchasers with better information about the capabilities of Australian industry to meet their needs will lead to improved consideration of the local supply base. A reduction of input costs will also assist.
15. Reducing input costs by reducing or removing duty on goods imported as components of production raises the dilemma of which companies to support. Assemblers wish to see their input costs reduced, but if this is done some component manufacturers then suffer a reduction in competitive advantage. The situation also pertains to manufacturers of like items that operate in different markets. During consultations between ISONET and a number of companies to assist deliberations on duty removal for certain industry sectors, manufacturers of industrial furnaces were canvassed for their views on removal of the general tariff for their products. One manufacturer whose market is primarily South-East Asia was not concerned about local tariff rates, but wanted pressure placed on countries to which he exported to lower their rates. Another manufacturer of similar product, whose market is primarily Australia, stated he would object to any reduction of duty applying to imports competing with his product.
16. The issues paper recognises the concept of "significant" production. The determination of "significance" will depend on the position of the assessor. There will also be revenue effects that must be taken into account. The dilemma facing authorities advising on tariff policy is that each situation involves different complexities depending on whether the manufacturer is a component manufacturer or an assembler of finished product, and whether the market for the product is domestic or overseas.
17. Synopsis No simple formula presents itself, and the only recommendation possible is that the result be in the best national interest, particularly where export related activity is concerned, and that appropriate arrangements are put in place to suit that objective. The Government's Action Agendas, announced in Investing for Growth, December 1997, are aimed at identifying impediments to economic growth, and developing strategies to remove them. The Action Agendas should include consideration of the tariff environment when analysing an industry's competitive position.

General and Concessional Tariff Rates

18. The issues paper recognises that as duty rates applying to general tariffs reduce, the protection provided, or advantage gained from duty relief, diminishes. The general tariff rate is 5 per cent. The decision by Government in July 1996 to raise the concessional duty rate from zero to 3 percent to assist in Budget considerations further reduced the benefit to be gained from seeking duty relief through tariff concession applications. ISO experienced a significant reduction in the number of applicants seeking suppliers of substitutable goods when making tariff concession applications. Although not verified through extensive research, ISO believes the downturn may have resulted in part because the benefits to be gained did not warrant the cost of the tariff concession application process in many cases. There may also have been a reduction in applications as a result of the general state of the economy at the time.
19. The concessional duty rate for the Policy and Project By-law schemes remains at zero. Because of the size of project budgets, a reduction in costs through 5 per cent duty relief for elements of a project can lead to significant savings, sometimes in millions of dollars. ISO has seen increased activity with major project developers who are seeking to minimise costs through Project By-laws. Some of this activity may have previously been the subject of tariff concession applications, but the potential for greater duty relief has led to a shift of requests for relief through Project By-law.
20. The possibility of a 5 percent duty relief for project developers is sufficient for them to accept ISO involvement in the design/development stage of the project, despite the fact that exchange rate fluctuations can offset the effect of a low duty rate. The US dollar buying rate for the Australian dollar has varied between 55 cents and 68 cents in the last eighteen months. Nevertheless, ISO continues to receive inputs from companies seeking duty relief, particularly through Project By-laws. Such ISO involvement allows strategic access to project developers to correct market failures concerning information on the capabilities and competitiveness of Australian industry. The ability of ISO to adequately inform developers at the earliest possible stage of project development is key to ISO's role of facilitating an increased market share for Australian producers both domestically, and in global markets.
21. ISONET manages the Supplier Access to Major Projects (SAMP) program on behalf of the Department of Industry, Science and Resources. Under the program, funds may be provided to an ISO to allow dedicated research to be undertaken to assist major project developers to identify manufacturers of goods equivalent to those that may be imported to meet the project requirements. Part of the Project By-law process is a requirement for developers to involve ISO in early phases of project development so that local industry has a chance to bid for work. Since the SAMP program began in September 1997, research assistance has been provided to twenty-one projects, with potential imports worth \$878 million assessed to find whether equivalent local manufacturers exist. As at 30 September 1999, \$227 million worth of those contracts have been let to local manufacturers, rather than being imported. Once ISO was able to show developers the benefits of using local suppliers (implying cost reductions greater than that able to be achieved through

duty relief), original intentions to import have been reversed. ISOs are convinced that much of the research work that led to those contracts would not have eventuated, even though the costs of research were heavily subsidised by the Commonwealth, but for the fact that developers were encouraged to engage ISO in the process of seeking duty relief.

22. Synopsis Introducing variations in rates for different concessional schemes causes those wishing to minimise their duty costs to attempt different approaches to securing concessions. Utilising different schemes can cause unexpected effects on other industry sectors. Even though duty may be low, importers will still exercise their access to the concessional schemes to reduce costs. The requirement to involve ISO in concessional processes has given ISO the ability to promote the capabilities of Australian industry to potential importers, leading to significant import replacement. Programs such as SAMP provide the resources to support such activity.

Ad Hoc Removal of Tariffs

23. Recognition that there was duty on imported goods not produced in Australia, but which may be part of the production of other goods, led to the introduction of the Tariff Concession Scheme. Although it incurs an administrative overhead, the scheme involves a rigorous process of analysis, consultation and gazettal of the plan to provide duty relief for importers of certain goods for which application is made. The key test applied to tariff concession applications is whether a manufacturer of substitutable goods exists in Australia. The definition of substitutability is broad, and it errs on the side of protection for local manufacturers. The onus is on the importer to show that the import is not going to disadvantage local industry.
24. Recently, ranges of items have been removed from the list of items subject to tariff, without receipt of tariff concession applications. The reason for the action has either been to reduce input costs to a manufacturing sector, as in the case of IT components, or because the range of items were considered to produce little revenue from duty, therefore did not constitute large imports, and allowing duty free entry would probably not cause great disadvantage to local industry. Ad hoc removal of tariffs can have unintended consequences on companies not part of the industry sector under original consideration as shown by the following example.

One of the lines nominated for removal in the nuisance tariff review was:

07101000, Frozen potatoes (uncooked or cooked by steaming or boiling water)

In 1997, \$18 million worth of frozen potatoes were imported (attracting \$911,082 in duty) under the classification:

20041000, Potatoes, prepared or preserved (excl those prepared or preserved by vinegar or acetic acid), frozen

The latter item is used for importing frozen potato chips. Removal of tariff for 07101000 may open the way for importers to seek to import frozen chips under that item, saving nearly \$1 million in duty payments.

25. Synopsis The full effect of the removal of tariffs through arbitrary selection may not be known until companies who may be disadvantaged suffer that disadvantage and decide to complain. The complexity of the tariff code, and the cross-sectoral effects that can result from ad hoc removal of tariffs suggests that any such action should only be contemplated following rigorous analysis and consultation with potential affected companies, and detailed advice from experts in the field. ISONET will continue to partner with government and industry to assist in resolving the issues identified with removal of ranges of tariffs.

Non-tariff Factors Influencing Investment Decisions

26. The involvement of Australian industry in major projects, particularly those for which Australia is competing globally, is not just a tariff related issue. The matter of a 5 per cent duty may be less significant than other actions by countries which are of a non-tariff nature, but still affect trade and investment. Much is made of the ability to reduce duty on major projects through a Project by-law. There can be far more significant effect on the project cost through the provision of Government services. Significant reductions in a project's costs through such measures can attract project developers even though duty may need to be paid. Attempts will still be made to remove duty, because developers will undertake all available measures to reduce project costs, but if these attempts are ultimately unsuccessful, the project cost remains such that Australia is a more competitive location for the project.
27. The continued success of the ISO network stems from the fact that there are companies in Australia capable of competing globally for local requirements. In many cases, these companies do not have the benefit of tariff protection, or are less competitive through higher costs of inputs, because they attract duty. The ISO process is not a prescriptive one, requiring importers to deal with local suppliers – rather it is an educational process which raises awareness among potential importers of the capabilities of local manufacturers, allowing those importers to assess for themselves whether the local source is better value for money.
28. ISONET will continue to work with Invest Australia to secure the earliest possible involvement of ISO in major project developments. The objective of early involvement will be to promote the capabilities and global competitiveness of Australian industry, addressing any misconceptions that may exist in the project developer's view.
29. To quantify the benefits from ISO import replacement activity, a study was commissioned into the impacts of new and retained business in the Australian

manufacturing sector. The study was undertaken by Australian Economic Consultants Pty Ltd, who reported³ in January 1998 that:

For every dollar spent on new or retained manufacturing business output, benefits flow not only from increases in manufacturing activity, but also from Australian industries that provide inputs into manufacturing activity and from industries meeting the consumption demands resulting from more jobs, wages and salaries.

For every additional \$1 million of successful new or retained manufacturing business, the following effects flow through the economy:

*\$328,105 worth of tax revenue is generated;
\$1,216,267 worth of value-added is generated;
\$210,082 worth of welfare benefits is saved; and
22 full time jobs are created.*

30. In the twelve months to 30 September 1999, ISO research on behalf of those contemplating imports resulted in \$318 million worth of purchases being redirected to local manufacturers. This figure encompasses all ISO research activity, including the SAMP research reported at para 21. Apart from a reduction in the balance of payments deficit, this activity had a positive effect on employment and the economy.
31. Synopsis Tariffs can have an effect on decisions to invest in major projects in Australia, but the effect is minor compared to other influences. Even if duty is to be paid, ISO experience is that Australian companies can compete against global competition. The prime consideration for Australian industry involvement is whether adequate influencing mechanisms are in place to secure early engagement of organisation such as ISO to promote the capabilities of local industry. The benefits to the economy of ISONET and ISO work in redirecting potential imports to local industry are quantifiable and substantial.

Conclusions

32. The conclusions that can be drawn from the foregoing comments are:

- The continued importance of manufacturing industry, particularly advanced manufacturing, needs to be recognised.
- Reduced input costs to certain manufacturing sectors through removal of duty may improve the competitiveness of those industries, but the flow-on effect of such duty removal can be complex and should be comprehensively analysed prior to implementation.
- Whatever measures are adopted, they should be considered in relation to the overall effect on the economy, taking a long term, strategic view.

³ *Impacts of New and Retained Business in the Australian Manufacturing Sector*, January 1998, Australian Economic Consultants (AEC) Pty Ltd

- Variations in concessional rates of duty can cause changes to the way importers approach concessional schemes. The requirements in such schemes for importers to consider Australian industry prior to importation has given ISO better access to project developers.
 - Deliberations on removing or reducing tariffs should recognise the benefits that can occur from having an influencing mechanism that leads to importers considering Australian industry capabilities.
33. Tariffs have enabled ISONET and ISO to gain early access to project developers to change perceptions concerning the competitiveness of local industry. Such experience indicates there needs to be some influencing factor that encourages importers to consider a local solution. Duty on imports, low though it may be, causes project developers to seek assistance from ISO to research local capability. Removal of duty completely would also remove the influencing factor. If and when duty rates diminish further, there needs to be some alternative influence to raise the importers' awareness of, and potential benefit from using, local capabilities.
34. In summary, ISONET does not advocate a return to high levels of tariff protection as a means of industry development, rather ISONET would prefer a fair and globally equitable system that provides an environment that encourages industry development for the long term, without providing such protection that reduces emphasis on improving competitiveness. The encouragement should contain measures that lead importers to seek out credible, capable and competitive local manufacturers, such as programs similar to the SAMP program, backed by suitable promotional activity.

ISONET Limited
12 January 2000

ISONET TOOLKIT

What is ISONET?

ISONET is a public company, funded by the Department of Industry, Science and Resources. ISONET is the office providing national coordination to the State-based network of Industrial Supplies Offices (ISO). The offices in the ISO network are funded by the respective State and Territory Governments to undertake research into goods and services that may be imported by purchasers who are unaware of a credible, capable and competitive Australian company producing the requirement. ISO is recognised by both industry and Government as the authority on Australian industry capability.

What Does ISONET Do?

The primary role of ISONET is to coordinate and facilitate the activities of the ISO network to maximise Australian industry opportunities arising from major project developments initiated by both government and the private sector. ISONET works to ensure common and consistent application of ISO research, resulting in the best national response to enquiries for local sources for requirements. ISONET manages the national data and communication systems used by the ISO network.

In addition, ISONET manages the Supplier Access to Major Projects (SAMP) Program on behalf of the Commonwealth. Under SAMP, ISONET facilitates the provision of dedicated, long term ISO research assistance to major project developments that have national significance.

Services

ISONET acts as the link between those responsible for Commonwealth Government industry and procurement policies and the ISO network, to ensure ISO activities are in concert with those policies. ISONET also monitors the development of projects of national significance to ensure the ISO Network is involved early in the project definition phase for the purpose of maximising opportunities for ANZ industry in supplying project requirements.

Client Groups

The prime clients for ISONET are the Commonwealth Government agencies, major project developers, and the Industrial Supplies Office Network. Additional clients, flowing from these links, are ANZ industry, particularly SMEs, Commonwealth and State Government bodies, and industry associations who have a role in developing or promoting industry policy.

The companies likely to benefit most are the Small and Medium Enterprises that do not have the infrastructure to support large marketing groups, but who have a capability equivalent to or better than an overseas supplier.

Want to Know More?

Browse through the attached pages giving guidance to improved value for money purchasing, or access the ISONET website at www.iso.net.au to learn how ISONET and ISO can assist.



How you
can source
cost effective Australian
products and services
and save money

Bringing buyers and sellers of Australian products and services together

The ISO network is an independently managed non-profit group of organisations financially supported by State and Federal governments to assist purchasers identify the supply capability of local manufacturers and service providers for the purposes of import replacement and export.

Our Australian/New Zealand wide network is staffed by experienced technical people with extensive knowledge of the resources and capability of local industry.

ISO can help you find competitive local sources to meet your procurement and project needs irrespective of your business.

ISO is find that local industry is winning 65% of all import replacement enquiries processed on the basis of achieved competitive prices.

Sourcing locally is good business

INVENTORY COSTS REDUCED

Local manufacture can reduce the necessity to maintain large inventories, reducing finance cost and saving valuable factory space.

INSPECTION COSTS REDUCED

Inspecting overseas purchased goods can be considerably more expensive, particularly if overseas visits are required.

LEAD TIME REDUCED

Recently the ISO was able to assist a buyer reduce material lead time by 70 per cent and also reduce landed cost by 10 per cent through import replacement.

IMPORTS ADMINISTRATION REDUCED

There are savings in associated clearance charges, bank and other import administration costs: eg, do you include in your tender evaluation the administration hours for your purchasing and financial people to process all phases of an import transaction?

LOCAL WHOLE OF LIFE COSTING WINS

When tender evaluation includes assessment of the cost of supporting the equipment through its life cycle, including service cost, replacement parts, downtime and inventory, whole of life costings generally favour local manufacturers.

COMMUNICATION COSTS REDUCED

Overseas communications can be several times the cost of domestic communication.

If you're not convinced, undertake a thorough cost study into the above factors to ensure that you are comparing 'apples with apples'.

ENQUIRIES processed by ISO since its inception have resulted in orders totalling nearly \$2.5 billion being placed by purchasers with local Australian suppliers. These orders would otherwise have been placed overseas. The reasons purchasers redirected their buying to Australian suppliers following ISO advice were not altruistic, but rather were because of the cold, hard, commercial benefits: the bottom line price, quality and delivery.

Australian manufactures and other value-adding suppliers have shown that they are able to meet these stringent, competitive requirements.

Identifying the opportunities:

A few steps every purchaser should follow

IDENTIFY WHAT YOU IMPORT

List all of those items you import direct: capital equipment, motor vehicles, right down to your stationery. For example, Australia imports millions of dollars worth of photocopy paper each year, yet we have Australian manufacturers that produce competitive products.

ANALYSE WHY YOU IMPORT

- Are you unable to find a local maker?
- Are local prices uncompetitive?
- Is technology not available locally?
- Is local quality questionable?
- Is it uneconomical to make locally?
- Are known local suppliers unreliable?

If you believe the answer to any of these questions is 'yes', you need to access the comprehensive services of ISO, a nation-wide network with an unsurpassed record for finding local suppliers to meet your individual needs in relation to quality, reliability and cost.

**MANY PURCHASING DECISIONS
ARE MADE ON WRONG ASSUMPTIONS**

So often, purchasers wrongly believe that imports provide a cheaper option or that they have no option but to buy from overseas sources.

Every day the ISO is proving these assumptions to be incorrect. ISO has already helped companies find Australian products and services worth nearly \$2.5 billion.

**YOUR SUPPORT FOR LOCAL INDUSTRY
CAN BOOST OUR ECONOMY**

For every one million dollars spent in manufacturing within Australia*

- about 22 full-time jobs are created for a year
- \$328,000 in tax revenue is generated
- \$1,216,000 worth of value-adding is generated
- \$210,000 worth of welfare benefits is saved

**THIS BENEFITS ALL AUSTRALIANS
AND AUSTRALIAN BUSINESS BY:**

- creating jobs
- increasing exports
- reducing our foreign debt

* *Impacts of New and Retained Business in the Australian Manufacturing Sector*, Australian Economic Consultants Pty Ltd, January 1998

Check these potential benefits from buying locally

Then talk to ISONET AND ISO

- Improved lead time and availability
- Ease of communication
- Easier access to service and technical support
- More guaranteed supply in a crisis
- Lower stock holdings
- Easier inspection
- Common language and legal system
- Your supplier infrastructure develops with you
- Enhanced corporate image
- Reduced import administration and duty costs

WHY YOU SHOULD USE ISO

- Services are confidential and generally free
- Available to both private and public sectors
- Price, quality and delivery are prime factors when ISO is seeking products and services for clients
- ISO gets results – a total of \$2.5 billion in redirected purchases to date
- ISO is easily accessible – offices located throughout Australia and New Zealand

ISONET

A national network

ISONET has been established in Canberra to coordinate ISO involvement in the purchasing requirements of Commonwealth Government departments and agencies, and in major national and international projects.

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Why not re-examine your purchasing policy?

So often purchasing policy documents and mission statements set out intentions with regard to occupational health and safety, equal opportunity and other important issues, but fail to include purchasing policy.

- *Does your purchasing policy clearly set out your preferences to support local industry?*
- *Do you specify your preference for Australian-made in your tenders and purchase orders?*
- *Do you require your sub-contractors to embrace the same principles as you do in their purchasing policy?*

A RECOMMENDED ADDITION TO TENDER DOCUMENTS

The following sample clause, featured at the head of your tender documents, may assist your tenders to respond accordingly.

“ YOUR ORGANISATION NAME is committed to take full advantage of the capabilities of Australian industry, and where appropriate increase local content in this project. Tenderers should indicate known and/or intended Australian content. They are encouraged to explore the feasibility of including equipment of Australian origin and to use the specialist services of the Industrial Supplies Office (ISO).

ISO is financially supported by Government, managed by industry, and provides purchasers with an essentially free sourcing service to identify capable, competitive Australian manufacturers able to supply those items that would otherwise be imported into Australia.”

HOW TO MAKE YOUR POLICY KNOWN

Instruct your suppliers to identify the imported content of those items they supply to you and explain your intention to maximise the Australian content of what you buy. Request that they use competitive alternative Australian sources of supply. ISO will assist them achieve this.