

*Submission to the Productivity Commission's
Review of Australia's General Tariff Agreements*

By

*Colan Products Pty Limited
(A.C.N 002 645 061)*

Colan Products Pty limited is a privately owned company that specialises in the production of Engineered Textiles.

Our aim is to be innovators, designers and manufacturers in the highly technical, niche markets in which we operate.

Our plant is located in Huntingwood NSW and is the only plant of its kind in the Southern Hemisphere. Whilst we use textile plant and equipment it has been modified for our purposes. As a result more than 55% of our output is covered by Customs Tariff Item 7019 being products of Glass Fibres and Articles thereof. (I have attached a brochure showing the type of products we produce.)

The Colan business commenced in 1954 and in the early 1960's we started manufacturing on a limited scale in Australia:

- Fibreglass Woven Rovings
- Fibreglass Fabrics
- Woven Roving Tapes

It was clear to us as we developed our products that Australia's small population would eventually limit our output and our level of productivity. As a result, we commenced exporting our products. Today, this represents more than 20% of output.

In relation to our quality standards we have received Defence Assessed Supplier approvals AS2902/IS9002 from the Defence Department Quality Assurance. After moving to new premises in Huntingwood, we also received Quality Assurance approvals AS/NZS ISO 9002:1994 in November 1998.

With such approvals we have participated in the development and production of the Minchunter Project, which has produced six frigates for the navy.

Until early 1999 a major proportion of our raw inputs of glassfibre rovings were purchased from the only local manufacturer, Aurora Glass Fibres (previously known as ACI Fibreglass). This business was purchased early in 1999 by Owens Corning Fibreglass of America, who then closed the plant at Dandenong and sold its contents at auction.

As a result of the closure of the Aurora plant we started importing our fibreglass rovings inputs under Customs Tariff Schedule 3 Item No. 7019.12.00 (thus our inputs have become subject to a tariff of 5%.

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Since May 1998 Colan Products has been making representations to the Department of Industry, Science & Tourism in regard to such "nuisance" tariffs. That is, an impost of at least 3% on our cost base when we have no choice but to import our raw materials.

To date we have had no action from the Department and hope that this review will be able to do something about the removal of the 3% import duty on yarn used by Colan Products for its manufacturing process.

In addition to the impost of having to now pay Custom Duties on inputs that were previously manufactured locally, on the 15th December 1999 we were informed by Customs Tariff Schedule 3 operative from that day the 5% duty under Item No. 7019.40.00 covering woven fabrics of rovings had been reduced from 5% to nil.

This means that product which directly competes with our finished product (in which our inputs are now subject to a tariff of at least 3%) can be imported into our markets without paying duty. This put us at a competitive disadvantage vis-à-vis our competitors. As you would agree this gap of 8% (3% duty and 5% tariff reduction) hardly encourages local manufacturing.

We find this situation alarming in that not only is part of our business been put in jeopardy but that at no time have we been consulted by anyone regarding the removal of our 5% tariff protection. That is, from the company's perspective we don't understand how a decision that has an adverse effect on our competitiveness can be made so decisively yet where a decision to improve the competitiveness of a local manufacturer by lowering our cost structure still has not been acted upon. I suggest that your review needs to put some guidelines into place so such a situation does not occur again. The decision also seems to be at odds with the correspondence we received from Ms. Mary Wooldridge on the 20th April 1999.

Colan Products continues to invest heavily in all facets of the business. Our commitment to local manufacture has included the purchasing of new capital equipment last year and a plan to invest further amounts in new equipment this year. However at the same time we are investing large amounts to remain competitive we find that through no fault of our own our costs are increasing (through the impost of a tariff) while now our opposition can import product without paying any tariffs. As you can see the situation defies logic and needs to be rectified so as to encourage local manufacturing rather than asking them to bear an additional cost on inputs while giving our overseas competitors an additional benefit.

To address the above situation we would recommend that:

- As a matter of urgency the customs tariff in regard to Woven Rovings under Item No. 7019.40.00 is re-instated and,
- Remove the customs tariff on the importation of Glass Fibres in particular under Item No's 7019.11.00, 7019.12.00, 7019.19.00 and 7019.31.00.

- Review how such decisions are in fact made to ensure that all relevant parties are consulted.

The first of these recommendations is really only returns the situation to where it was before the decision in mid-December. The second will help us continue to confidently invest in local manufacturing thus ensuring that we achieve our goal to be innovators, designers and manufacturers in our products providing both jobs and products that would otherwise be lost to overseas producers. The third recommendation will resolve the inconsistencies between the Departments correspondence and the subsequent actions in revoking the tariff and help it act upon local manufacturers concerns.

Yours Sincerely

Peter Candy
Company Secretary