

**Review of
Australia's
General Tariff
Arrangements**

Submission
to the

Productivity Commission

by

ACI Crown Glassware

prepared by

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February 2000

- **BACKGROUND**

The ownership of ACI Crown Glassware will transfer to McPhersons Limited officially on February 1, 2000. The contract has been signed and the ASX notified.

The main business of the company is the wholesaling of glass drinkware.

ACI Crown Glassware ceased manufacturing in March 1997. The circumstances leading up to this decision were largely our inability to sell sufficient product to keep machines in progress in the midst of lower priced alternatives from South East Asia.

In sourcing offshore we have moved our mould gear, equipment and machinery to form strategic alliances. This marriage has provided us with greater expertise, quality and lower standard costs.

The decreasing tariff rates in the end were not critical, as the level of protection historically was low.

All glass tumblers we currently import with the exception of foodpacks attract a 5% duty. Stemware products no longer attract a duty ever since we ceased manufacturing stemware in 1991.

- **MAIN ISSUES**

What should be the General Rate of Customs Duty post 2000?

- We believe the general rate of Customs Duty post 2000 should be zero. The precedent for this expectation was set in 1991 when the duty on stemware was abolished as a result of our stemware plant closure.

When should any Tariff Changes take place?

- The Tariff changes should be retrospective to January 1999 when a TCO was revoked covering 'drinking glasses' generally.

What implications are there for the existing assistance arrangements following from any Tariff changes?

- The implications to the market and existing manufacturers of a Tariff change are negligible.

What is the likely overall community effects resulting from a reduction in general Tariff Rates?

- There will be no effect on the community from a reduction in general Tariff Rates.

Can a reduction in Duty Rates encourage the development of sustainable and internationally competitive Australian industries?

- ACI Crown Glassware was the first and last domestic glass tumbler manufacturer. The substitution of our products comes in the form of acrylic and plastic. However because our competition comes almost entirely from other glass drinkware wholesalers, we cannot imagine a reduction in Tariffs improving the international competitiveness of domestic acrylic and plastic manufacturers, unless the reduced Tariff applied to acrylic and plastic imports. We simply don't compete. This naturally renders their objection to our TCO as mildly outrageous.

Will reduced Tariffs promote the provision of high quality, competitively priced goods and services to Australian consumers?

- The medium term impact of a reduction in Tariffs will promote more competitively priced goods and services to Australian consumers. Eventually Crown Glassware and our competitors will be forced to pass on a portion of the 5% saving to the market.

What are the likely effects of Tariff reductions on your products, the inputs that you may use, and for products, which compete with you?

- A Tariff reduction will obviously lower our standard costs and that of our opposition. Our distributors and the market will be the winners from any Tariff reduction in the medium to long term.

Are there goods produced in Australia which are complimentary or substitutes for goods that should have reduced duty rates and, if so, does the Australian producer represent a significant proportion of the market?

- There is no other glass drinkware manufacturers in Australia. We understand there is an acrylic tumbler producer who manufactures a small range of products that could be considered substitutable. However, as mentioned previously, we do not feel we are in the same competitive market. As acrylic is approximately double the cost of glass to produce, it therefore services a very specific premium market niche where the breakability of glass is an issue. This would be less than 1% of the Australian market of which we are active.

Should tariff reductions be conditional on Australia's progress in negotiating regional and international trade liberalisation?

- The maintenance of Tariffs is only delaying the inevitable commercial reality of global competition. Countries who maintain Tariff protection, we believe, are losing time in the bid for global competitiveness. Having said that, any reduction in Tariff should be a gradual phasing process to allow all local manufacturers time to improve their efficiencies. We don't believe tariff reductions should necessarily be conditional on Australia's progress in negotiating regional and international trade liberalisation. Frankly, if other nations wish to make our exports less competitive through import taxation then they are doing their own country a disservice. The best things Australia can do are set the example and learn how to become world's best practice.

Should tariff changes be made "across the board" or are there exceptions for particular commodities or industries? On what grounds ?

- Tariff reductions should be 'across the board'. The only variable being the amount and the pace of reduction.