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Review of Australia's General Tariff Arrangements
Productivity Commission
PO Box 80
BELCONNEN ACT 2616

Dear Sirs

This submission formally confirms the objection of AustralChem Pty Ltd to any proposed removal or reduction of tariffs on Magnesium Sulphate (Tariff Item 2833210030).

The submission is presented in two parts, the second part being an attachment marked "Commercial in Confidence", to be treated by the Commission accordingly.

Magnesium Sulphate is currently manufactured by AustralChem at Tomago, just out of Newcastle in New South Wales. The output from the production plant services a broad range of markets Australiawide, predominantly supplying Technical Grade product into the agricultural, horticultural and hydroponics industries. Small volumes are also exported to New Zealand with the possibility of this increasing in the future.

The Tomago Plant, which is ISO 9002 certified, uses Raw Materials which are locally sourced.

Though the operation produces a premium quality product which is highly regarded in the marketplace, there continues to be significant and increasing pressure from cheap imported material from various sources, predominantly India, China, Taiwan and most recently Korea.

Domestically manufactured product remains viable so long as supply reliability, consistency and premium quality outweigh the low cost import pricing to an extent sufficient to maintain a substantial share in these basic Technical Grade agricultural, horticultural and hydroponic markets.

Should pricing pressure from imports increase to the point that would cause the demise of AustralChem as a local producer, this would result in a further contraction of Australia's already shrinking manufacturing base. The consequence would be the retrenchment of another workforce in the Newcastle region, already an area which has suffered and continues to suffer from industrial downturn and the closure of manufacturing facilities.

It would appear that most, if not all, developed economies continue to provide some form of support for their own local industries be it through the imposition of tariffs or import quotas, through subsidies or through other mechanisms which favour domestic production.

Most of the developed economies are far larger than Australia's and have far greater impact on world trade trends. Yet the Australian Government seems uncompromising in leading the way to zero protection, despite the policies of major global players to continue protection of their own domestic scene.



In past decades it is agreed that over protection was rife and that there has been a valid need to move, to a great extent, in the direction we have, improving our efficiency and hence our world competitiveness.

However, the combined effect of Australia's small population and geographic location continues to put us at a disadvantage, in at least the manufacturing sector. Other economies that are larger or geographically more strategically positioned than ourselves continue, in many instances, to apply measures to protect their own domestic industries.

The playing field is not level and it never can be. Valid corrections to excesses of the past have been made, however some compromise has to be struck between the ideal of absolute free trade and reality.

The maintenance of the current 5% tariff presents itself appropriately as that compromise.

The existing minimal 5% tariff may seem of no consequence and of nuisance value to Government, but in an economy where inflation is forecast to continue at around 2% (temporary GST impact excepted), the removal of a 5% support for local manufacture is in fact very significant. A higher level would have been preferable, however given the history of tariff reductions to date, reality dictates that the maintenance of the current level is as much as can be sought.

Both Federal and State Governments continually refer to the importance of Small to Medium size business as being the backbone of the Australian economy. With an annual turnover of under two million dollars and a workforce of less than ten, AustralChem falls squarely into that category and looks to both Federal and State Governments to give substance to their rhetoric accordingly.

AustralChem manufactures and sells only Magnesium Sulphate and hence is highly sensitive to any detrimental changes to the current tariff on this item.

The objection to any proposed removal or reduction of the tariff on Magnesium Sulphate is a submission for the support of an industry which is efficiently run with a high output yield and an acknowledged premium quality product. It is a submission for support of an industry in which significant investment has been made and which is located in an area of already higher than average unemployment.

It is, finally, a submission for the support of an industry that is successfully servicing important sectors of the Australian economy in the face of already significantly heightened import pressure.

By way of background information, AustralChem Pty Ltd is a wholly Australian owned and operated company that was formed in 1998 to acquire and operate the Magnesium Sulphate plant and business previously owned and operated by the Dutch multinational, Akzo Nobel. The acquisition was effected via a management buyout following a business and staffing restructure within Akzo Nobel.

Should you wish to seek further input from me, I can be contacted at AustralChem on (02) 9420 8381 (Phone) and (02) 9420 8382 (Fax) or via mobile on 0418 691861.

I look forward to a positive response to this submission.

Yours faithfully



Greg Frewer
Managing Director