

ABB Transmission and Distribution Limited
88-120 Beresford Road
Lilydale Vic 3140

To: gtr@pc.gov.au

**Subject: SUBMISSION TO THE PRODUCTIVITY COMMISSION'S REVIEW OF
GENERAL TARIFF ARRANGEMENTS**

OVERVIEW

ABB has been manufacturing high voltage capacitors in Australia for 30 years. ABB has invested in its equipment, technology and personnel in order to maintain and improve the competitiveness of the operation in Australia.

Through an anomaly in the tariff system and an administrative oversight, the 5% import duty on high voltage capacitors was removed in July 1998. This, together with a 3% tariff on raw materials imported for the manufacture of high voltage capacitors, puts the business at serious risk.

In the first instance the 3% import duty imposition should be removed.

ABB AND THE POWER INDUSTRY IN AUSTRALIA

Australia has maintained a reasonably strong manufacturing base for high voltage power products such as transformers, switchgear, power lines and capacitors used in electrical power transmission and distribution systems.

ABB has been manufacturing capacitors in Australia for 32 years. The plant at Lilydale is the sole local manufacturer and employs 50 people.

The business has seen strong investment in new plant and process technology to the extent that despite ABB having five similar plants around the world, the Lilydale plant has continued to demonstrate an adequate return and has indeed grown by means of exports to South-East Asia and New Zealand.

THE TARIFF ANOMALY

In July 1998 the Federal Government reviewed tariffs associated with the information technology industry. Through an anomaly in the tariff numbering system, high voltage capacitors were classified alongside IT related capacitors used on printed circuit boards and without the knowledge of the ABB capacitors business, the 5% tariff on imports was removed.

ABB began losing orders by a small margin in early 1999 and was shocked to discover that the 5% duty had been removed. In addition, the business has been paying 3% duty on certain raw materials it imports (there being no local equivalent) and 5% duty on stainless steel.

There is therefore a double impost on the business, which is now double at risk having lost, by a very small margin, over \$4M in sales since July 1998.

CONCLUSION

ABB requests removal of the 3% import tariff (and 5% in the case of stainless steel) on certain raw materials it imports as a step towards redressing the unfairly adverse competitive situation it faces in the marketplace.

David Baker
General Manager
ABB Transmission and Distribution Limited
88-120 Beresford Road
Lilydale Vic 3140

From: david.baker@au.abb.com
Sent: 21 March 2000 16:02