Email Metals
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Review of Australia's General tariff Arrangements
Productivity Commission
PO Box 80
Belconnen ACT 2616

22nd December 22, 1999

Dear Sir or Madam,

We are responding to the call for submissions to the " Review of Australia's General Tariff Arrangements". Particular reference in this submission is pertaining to tariffs applicable to the importing of stainless steel flat products.

Email Metals through its businesses of Atlas Steels, Union Steels, Impact Steel, Sheet Metals Supplies and Pacific Stainless Processors is the leading supplier and processor of stainless steel flat product in the Australian and New Zealand market. Also, the Major Appliance Division of Email Limited is the major manufacturer of laundry and kitchen appliances in this country and a significant consumer of stainless steel flat products.

Definition of stainless steel flat products

Stainless steel flat products are generally referred to as sheet, coil, and plate. They are specifically covered in the Tariff codes listed below.

Tariff Codes

Reference to this submission is to Tariff codes 7219.11.0000; 7219.12.0000; 7219.13.0000; 7219.14.0000; 7219.21.0000; 7219.22.0000; 7219.23.0000; 7219.24.0000; 7219.32.0000; 7219.33.0000; 7219.34.0000; 7219.35.0000; 7219.90.0000; 7220.11.0000; 7220.12.0000; 7220.20.0000; 7220.90.0000.

Introductory Background

In May 1997 BHP closed down its stainless steel cold rolling mill at Port Kembla which effectively ended the production of stainless steel flat products in Australia. Following this closure the general duty rate of 3% applied to all imports of stainless steel flat products into Australia.

Because stainless steel flat product is no longer produced in hot or cold rolled form in Australia it is important not to confuse the issues of tariffs applicable to the general categories of carbon steels. These steels are still produced in Australia by the likes of BHP and Smorgan Steel.

The imposition of any tariffs on stainless steel flat product imports increases cost to the end user with no apparent benefit to the economy as a whole. This is a cost that generally reduces the international competitiveness of Australian manufacturers for goods produced for domestic consumption as well as export.

Our approach to this submission is to address some of the issues raised in the inquiry "Issues Paper" as they relate to stainless steel flat product and there in to present other comment for consideration by the Commission.

Issue

Removing the 3% tariff from stainless steel flat product imports into Australia would have the effect of reducing the cost of manufactured goods produced in this county as compared to the imported finished product. It would also improve Australian manufacturing competitiveness on the export market.

The best way of illustrating this is to consider the industries that consume stainless steel flat product and how tariff removal would assist them to be more competitive both in a domestic sense as well as on the export market.

The following is a list of industries that use stainless steel flat products and our estimate of tonnes consumed:

Market Segments (tonnes)		
Architectural/Construction	3000	3.5%
Automotive	7000	8.2%
Food and Beverage Processing	8000	9.4%
Food storage/preparation	10000	11.8%
Industrial	10000	11.8%
Domestic Household Products	8000	9.4%
Marine	2000	2.4%
Resources processing	4000	4.7%
Petrochemical	3000	3.5%
Transport	6000	7.1%
Medical & Hygiene	2000	2.4%
Wine Industry	10000	11.8%
Other	12000	14.0%
Market Size	**85000**	**100.0%**

These industry consumers of stainless steel flat products fall basically into two categories.

1. Those industries that use stainless steel in a manufactured item and sell directly to a consumer either domestic and/or export. Typical example:

    - Automotive, such as exhaust systems;
    - Domestic household products, such as dishwashers, washing machines, sinks, laundry tubs and kitchen utensils.

2. Those industries that use stainless steel in their processing of other product. Typical examples:

    - Food and Beverage processing and storage, such as commercial kitchens, display refrigeration, food and drink processing lines and storage vessels;
    - Resources processing and Petrochemical, such as processing lines and storage vessels:
    - Wine industry, such as process lines, storage and fermentation tanks.

It is worth noting stainless steel represents a significant component and/or capital cost for those industries using the product. The 3% is a competitive disadvantage to manufacturing in those industries.

If the 3% tariff were to be removed then:

1. Those industries within one (1) above would procure their stainless steel at an internationally competitive price, which would flow on to a lower cost paid by the end consumer when he or she +more competitive against the comparable imported item and keep jobs and a viable manufacturing base in Australia.

2. Those industries in two(2) above would also procure steel at an improved price, but in this case it would reduce the capital equipment cost of establishing and maintaining processing plant. This saving reduces processing costs, which in turn flow into a lower cost and more competitive output. A significant proportion of the output of these industries is destined for the export market where global competitiveness is paramount to success.

The CER agreement with New Zealand

The issue here surrounds the fact that stainless steel flat products are not dutiable when imported into New Zealand. Because the stainless raw material can, and often does, represent a high cost component in the fabrication process, the application of the 3% tariff in Australia has the effect of disadvantaging Australian steel fabricators when competing with their New Zealand counterparts. New Zealand manufacturers do not pay a duty on the steel or product exported to Australia.

The imposition of the 3% tariff on Australian manufacturers reduces their ability to be competitiveness.

Concluding Summary:

1. **There is no longer a producer of stainless steel flat products in Australia and due to the economies of scale required to produce this material, it is highly unlikely that there will be in the foreseeable future.**

2. **The current 3% tariff applied reduces the ability of Australian manufacturing industry to compete both on the domestic market and the export market.**

3. **A removal of the tariff will reduce the cost of stainless steel manufactured goods produced in Australia at no detriment to the Australian economy.**

4. **A removal of the tariff will assist to improve the competitiveness of Australian produced product. This would assist with product import replacement as well as export from Australia.**

5. **The follow-on to four (4) above is expanded production and more jobs for Australian's.**

Yours truly,

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