

30 June 2000



Ms Jill Irvine
Review of General Tariff Arrangements
Productivity Commission
PO Box 80
BELCONNEN ACT 2616

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Dear Jill,

Re: Proposed Tariff Removal

Background

Toowoomba Foundry, established in 1981 and in its 129th year of business, currently employees 250 people and contributes \$20m to the local and national economy.

Our major customers are in the commercial transport industry, accounting for 70% of all sales. Truck and semi-trailer wheels, hubs and brake drums are totally manufactured and assembled on site for both OEM and aftermarket customers.

Customers include Kenworth, Mack, Volvo, Dana, Meritor, BPW, Freightner, Haulmark, and many others. Our fully Australian made product has an excellent reputation in the market, however, as with most markets, it is heavily price driven.

Toowoomba Foundry is an internationally competitive organisation, having exported wheel product to Isuzu of Japan for 3 years, however, the Asian economic crisis resulted in us losing this vital business.

Severe import competition exists in the market, and we are competing daily with India, Indonesia, Malaysia, China, USA and South Africa in this market.

Previous tariff reductions in this transport market segment have resulted in reduced pricing in the market by importers.

Our View on Tariff Removal

The removal of the 5% tariff currently applying to this segment is a decision that we find difficult to comprehend, for a number of reasons including:

1. A table is attached demonstrating that apart from the USA and Japan, Australia is the lowest tariff nation. This data was supplied by Kenworth, and you will be aware of the AIGroup Publication "A Review of Tariffs" also supporting this view.

Both the USA and Japan have the advantage of enormous economies of scale, which greatly reduces their production cost per unit.

Why does a country of 18 million people seek to be a leader in tariff reform? Commonsense would indicate that tariff parity with competing countries, at the very least, would be a very sensible decision to preserve the ailing manufacturing base in Australia.



2. Market pricing usually reduces in line with tariff reductions where local manufacture exists, and a 5% reduction transferred to a market where cost downs are the law of the day and price increases unacceptable would put many additional Australian manufacturers at risk.

In a \$15million market segment, a 5% price reduction represents a loss of profit of \$750,000.

In the specific case of Toowoomba Foundry, the loss of profit due to the 5% tariff elimination and consequential market pricing reductions would put the future of the company at risk.

3. Unquestionably, loss of jobs would result in the manufacturing sector, in addition to many companies being placed at risk.
4. The argument that our "third world" competitors are in need of greater support is a false one. I have personally visited many sites in Asia, and found modern state of the art technology, run by Graduate Engineers, trained here in Australia, using extremely low cost labour. Overseas consultants play a major role in setting up professional procedures in these plants, so that operationally, the "third world" description is a myth.

Investment in plant is significant, both through support programs put in place by their Governments, and capital funding being available at gearing rates that lending institutions in Australia would consider poor business practice.

5. Employee safety and community environmental issues in most cases are not a concern.

Toowoomba Foundry is a company that has invested heavily in these areas, along with a commitment to the Greenhouse Challenge program.

I ask the question: Is the decision to put the Australian Manufacturing base at risk, and provide further opportunity for production to be relocated off shore to countries where these important global issues are subject to lip service, one of integrity and responsibility?

Conclusion

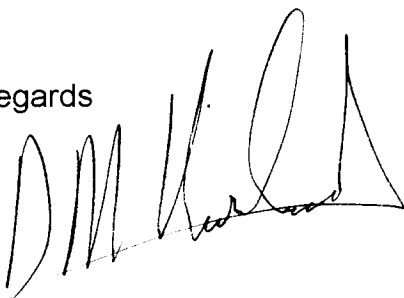
The retention of the 5% tariff is imperative, and totally justified on the basis that:

- (a) Jobs, skills and industries will be preserved in Australia that have defence significance and meet our basic daily community needs. The "old economy" provides many full time jobs for Australians.
- (b) Local communities benefit from the retention of local manufacturing activity, rather than shipping this resource off shore, a reality currently taking place all too frequently as Globalisation factors impact.
- (c) Australia is known for the "fair go" philosophy, yet senior politicians have indicated to me that while it is recognised the current tariff situation is "not fair" to Australia the reductions will be pursued on the basis of economic reform.

- (d) Economic theory is the driver of this reform, yet it remains a “theory”, and while my studies in economics are limited, the lectures I attended at Melbourne University by a leading economics professor, commenced with an apology for the inaccuracies of economic theory, explaining that correlation between real life outcomes and economic predictions never occur. To think that our key decisions in relation to the future of Australians are highly influenced by this theoretical concept instead of practical realities is most concerning.

I urge a focus on practical community needs, and decisions made on this basis can only result in the 5% tariff being retained.

Regards



DOUG HARLAND
Chief Executive Officer

Current Positions Held:

- Deputy President – AIGroup Queensland & Member of National Executive.
- National Chairman – National Cast Metals Council.
- TAFE Councillor SQIT.

Past Positions Held:

- Queensland President – Australian Foundry Institute.
- Director of South West Power.
- Inaugural Chairman of Board of Regional Studies USQ.
- Director – Toowoomba Chamber of Commerce.
- Past Confederation of British Industry Scholarship Recipient.

Copy:

- **The Honourable Ian MacFarlane MP for Groom**
- **Mr Jim Elder - Deputy Premier, Minister for State Development and Trade**
- **Senator the Honourable Nick Minchin – Minister for Industry, Science and Resources.**

Country	5-20 tonne	20+ tonne	Imports into Australia	Local Manufacturer
USA	4%	25%	Freightliner Sterling Mack Trucks	
Germany	22%	22%	MAN, Mercedes	
Sweden	22%	22%	Scania, Volvo	
Australla	5%	5%		Kenworth
Canada	6.1%	6.1%	Western Star	
France	22%	22%	Renault	
Italy	22%	22%	Iveco/ Fiat	
India	45%	45%		
Pakistan	60%	60%		
Indonesia	70%	70%		
Japan	0%	0%		
South Africa	24%	24%		
UK	22%	22%		



Tariff changed on trucks
imported into these countries.