ATOM INDUSTRIES' SUBMISSION TO THE PRODUCTIVITY COMMISSION
On the review of Australia's General Tariff Arrangements hearing 29 June 2000.

We are the inventors and manufacturers of the Atom Lawn Edger which is 100% Australian manufactured, except for the 31cc and 34cc petrol engines which are not manufactured in Australia and have to be imported. We have to pay import duty on these engines (Tariff Item 8407.90.30) whereas overseas manufacturers can bring into Australia the same engines we are using, with the entire unit DUTY FREE under the same Tariff Item No. 8467.89.00 that our lawn edger is classified under. We have NOT asked for tariff protection for ourselves.

This import duty was imposed as we were and continue to be told by government departments that:

"ALL SECTORS in Australia needed to contribute to bringing the budget back to surplus".

However ALL SECTORS did not contribute as the Australian domiciled importers of foreign manufactured goods also should have contributed.

If Australia is in hardship and we have to pay extra taxes as import duty, we do not object to this. However we do object to the fact that our Australian competitors importing overseas manufactured goods do not pay these extra taxes and therefore these overseas manufacturers are being subsidised by our Australian Government because of the monetary advantage given to them by the Government.

This matter is absolutely nothing but discrimination against we Australian manufacturers and is against Australia's National Interest.

As we pointed out on many occasions to several government departments, without this discriminatory tax we could compete more fairly, increase our domestic and export sales, increase our number of employees, and therefore increase the tax base and therefore tax revenue for the Australian Tax Office. Our export sales would increase due to more production resulting in lower cost because of economies of scale. Lower cost equates to lower selling prices which leads to higher sales, higher employment, and more tax revenue for the ATO.

With the exception of some people in Canberra, everybody agrees that our situation of being discriminated against is absolutely beyond comprehension and totally absurd.

We wrote many, many times to the Department of Industry and the nonsensical, inane and ridiculous replies we received from the Department defied imagination and were insults to anyone's intelligence. We finally requested an intelligent reply as opposed to all previous letters of misinformation received, and a clear answer to our questions which are as follows:

a) **If ALL sectors in Australia need to contribute to bringing the budget back into surplus then WHY DON'T ALL SECTORS PAY including the Australian domiciled importers who import overseas manufactured goods DUTY FREE to compete against us?**

b) **WHY DON'T WE HAVE A LEVEL PLAYING FIELD IN REGARD TO THIS MATTER?**

c) **WHY ARE AUSTRALIAN MANUFACTURERS BEING DISCRIMINATED AGAINST BY OUR AUSTRALIAN GOVERNMENT?**

d) If as the Department of Industry claims that because of the World Trade Organisation these particular overseas manufactured goods cannot have import duty imposed to produce a level playing field (and we are not asking for Tariff protection) **THEN IN ORDER TO REMOVE THIS DISCRIMINATION, TO THUS PRODUCE A LEVEL PLAYING FIELD, WHY CAN'T THIS DISCRIMINATING TAX (IMPORT DUTY) AGAINST US BE REMOVED** which would then result in the payout by our expanded tax base to be more cash positive for the Australian Tax Office?

e) In a supposedly fair minded democracy and a supposedly fair minded Government **WHY IS THIS DISCRIMINATION OCCURRING**?

Needless to say we never received answers to the above questions.

Now we have the draft report which dealt with two types of tariffs :

1) Tariffs that Protect Australian Industry

This occupies the great majority of the report and the Productivity Commission has recommended several timetables for the elimination of this tariff preferring sooner rather than later.

2) Tariffs that Discriminate and Unfairly Tax Australian Industry

This occupies the minority of the report, and its Tariff elimination recommendation is a minimum of 12 months' away.

Why do we have to wait so long? "Blind Freddie" can see that this extra DISCRIMINATING TAX against Australian manufacturers reduces our efficiency and productivity, and is totally unjust and unfair and should be eliminated immediately.

And to say that this takes time to happen is nonsense as your report states on page 2 that "on 19 September 1999 the Minister had a select number of these Tariffs (described as Nuisance Tariffs) eliminated by 1 November 1999".

In your overview on page XVII you correctly stated that "A virtually universal view of the participants was that the 3% concessional tariff rate for business inputs under the TCS should be reduced to Free as soon as possible … given that the TCS applies only where there is no Australian equivalent Australian production to protect." **Why cannot this be carried out immediately?**

We all know, and it is mentioned on page 85, that this 3% import duty was to raise revenue for the budget deficit. But as the Prime Minister stated in his letter to all Australians on 20 June 2000 :

"The Budget is back in the black."

The Prime Minister also stated:

"Many income earners pay too much tax, while others pay too little. And that's not fair."

The analogy of the latter statement is that we Australian manufacturers pay too much tax (3% import duty plus) at the same time the government allowing duty free entry (ie, paying no tax) for competing products which are imported in a completely manufactured form.

Even "Blind Freddie" can see that THAT'S NOT FAIR!

Furthermore the Prime Minister stated:

"The old tax system discriminates against country Australia by imposing unduly high taxes on transport and taxes our exporters which stops Australia from going further abroad. The old tax system contains hidden taxes. And that's not fair."

The analogy of that statement is that we Australian manufacturers are being discriminated against by the imposition of this revenue raising hidden tax which stops Australia (and exporters) from getting further ahead.

Again "Blind Freddie" can see that THAT'S NOT FAIR!

I would also like to add that in our original submission we advised that not only the 3% duty had to be paid, but this duty cost attracts further on-costs (to the final selling price) such as extra sales tax on the import duty component, added interest cost on the import duty component, added margins on the import duty component that all add to the final selling price becoming much more expensive than the non-dutiable foreign manufactured competitors product. This therefore had the same impact in simple terms as 5% import duty or to be more accurate caused the selling price increase of 5% to our great disadvantage. This was not mentioned in the report and it should have been as part of efficiency and productivity.

On page 135 under "Anomalies in Protection", Atom Industries is used as an example of a local manufacturer that "considered that tariffs should be used to assist, rather than tax, local production."

This was never stated by us. In our submission we clearly stated that we were NOT asking for any handouts or protection and that we only wanted this discriminating tax to be eliminated so that we could achieve economies of scale with our production and thus make our overall costs lower, in order to compete more successfully in overseas markets - ie, to be more efficient.

On page 136, the draft report includes a statement by the Australian Customs and Brokers Association advising that:

"This leaves Australia as one of the few, if not perhaps the only country in the world, to apply to its manufacturing industry, a form of taxation which has the impact of encouraging imports by making such goods more competitive against locally produced goods!"

Even "Blind Freddie" can see that by making imported goods more easily sold into Australia by giving the overseas manufacturer a monetary advantage is nothing but a subsidy to that overseas manufacturer. This of course is discrimination, and no different to that discrimination the Prime Minister wrote about in his letter, and in his words, "THAT'S NOT FAIR."

We have always stated that for the good of the country we do not mind paying extra taxes to cover a budget deficit PROVIDED that it is applied equally, but in this case it was never equal. It was very discriminatory and applied to Australian manufacturers and not to equivalent fully made product manufactured in other countries. Now that the budget has been in surplus for a number of years this absurd tax is even more galling, more unfair and more discriminatory than ever. In fact, from July 1st under the revised legislation of the Trade Practices Act it could be deemed unconscionable conduct by the Government.

We ask that this unfair discriminatory tax be lifted immediately so that we can improve our efficiency. After all, the Productivity Commission is supposed to be just that, ie productive and efficient! We Australian manufacturers have to live and exist in the real world. We have to compete vigorously to not only survive in the real world but to expand and prosper. We do not have the luxury of working at the output and pace of the Canberra bureaucracy or have their very generous salary packages.

We are world class designers and manufacturers who are endeavouring to obtain economies of scale in our Australian market so that we can more successfully export to the world.

Many people in Canberra say "its only 3%" but that is the limit of their thinking. It is much more than that, and the added underlying principle of this is absurd and against the National Interest for a strong manufacturing sector. I quote *The Economist Magazine* February 2000 industrial production figures which state that the average industrial production of Austria, Belgium, Britain, Canada, Denmark, France, Germany, Italy, Japan, Netherlands, Spain, Sweden, Switzerland and the USA increased over the previous 12 months by 4.07%. However, Australia's industrial production increase for the same period was only 1.7%. This is very alarming considering Australia was supposed to be in a boom period while Europe was at that time in an economic slump. Australia's Gross Domestic Product increased about 4% for this period, and this 4% growth rate should have been reflected in the industrial production increase.

With the anti-manufacturing policies of Government it is no wonder Australia is slipping further behind the rest of the industrial world and to the detriment of future generations of Australians.

Why wait 12 months to remove this absurd, unjust and discriminating tax? There is nothing hard in deciding and implementing the lifting of the 3% import tax immediately as was previously done by the Minister. Even "Blind Freddie" can see that.

Presented by John Notaras, ATOM Industries.

ECONOMIC INDICATORS

OUTPUT, DEMAND AND JOBS America's GDP grew at an annual rate of 5.8% in the fourth quarter. British GDP growth rose to 2.7% in the year to the fourth quarter. Japan's industrial-output growth slowed to 5.1% in the year to December. The euro area's rose to 2.8% in the year to November; its jobless rate fell to 9.6% in December, the lowest since October 1992.

% change at annual rate	GDP		The Economist poll GDP forecasts		Industrial production		Retail sales (volume)	Unemployment % rate	
	3 mths†	1 year	1999	2000	3 mths†	1 year	1 year	latest	year ago
Australia	+ 3.2	+ 3.9 Q3	+ 4.2	+ 3.9	na	+ 1.7 Q3*	+ 5.9 Q3	7.0 Dec	7.6
Austria	na	+ 3.0 Q3	+ 2.1	+ 3.0	na	+ 5.1 Oct*	+ 2.4 Oct	4.2 Dec	4.6
Belgium	+ 5.0	+ 2.9 Q3	+ 2.1	+ 3.1	na	+ 2.5 Nov*	– 1.7 Sep	11.3 Dec*	12.2
Britain	+ 3.3	+ 2.7 Q4	+ 1.8	+ 3.2	+ 3.0	+ 2.1 Nov	+ 5.3 Dec	5.9 Nov‡	6.2
Canada	+ 4.7	+ 4.2 Q3	+ 3.8	+ 3.5	+ 6.9	+ 5.8 Nov	+ 3.9 Oct	6.9 Dec	8.0
Denmark	+ 3.2	+ 1.0 Q3	+ 1.4	+ 2.1	na	+ 3.6 Nov	– 0.1 Oct	5.4 Dec	6.0
France	+ 4.2	+ 3.0 Q3	+ 2.8	+ 3.3	+ 5.5	+ 4.5 Nov	+ 3.9 Nov	10.6 Dec	11.5
Germany	+ 2.9	+ 1.2 Q3	+ 1.3	+ 2.7	– 0.6	+ 2.0 Nov	+ 1.0 Nov	10.2 Dec	10.7
Italy	+ 3.8	+ 1.2 Q3	+ 1.2	+ 2.4	+ 4.3	+ 3.0 Nov	+ 3.4 Nov	11.1 Nov	11.8
Japan	– 3.8	+ 0.9 Q3	+ 0.8	+ 1.2	+ 3.2	+ 5.1 Dec	– 1.7 Nov	4.6 Dec	4.4
Netherlands	+ 3.2	+ 3.6 Q3	+ 3.4	+ 3.4	+ 7.2	+ 3.9 Nov	+ 5.5 Nov	2.7 Dec§	3.7
Spain	+ 4.6	+ 3.7 Q3	+ 3.6	+ 3.9	+ 3.4	+ 6.2 Nov	na	15.0 Dec	17.3
Sweden	+ 3.6	+ 4.1 Q3	+ 3.5	+ 3.7	na	+ 4.1 Nov	+ 7.2 Nov	5.3 Dec*	5.5
Switzerland	+ 2.4	+ 1.6 Q3	+ 1.4	+ 2.2	na	+ 4.1 Q3*	+ 4.0 Nov	2.5 Dec*	3.4
United States	+ 5.8	+ 4.2 Q4	+ 4.0	+ 3.7	+ 6.6	+ 5.0 Dec	+ 7.6 Nov**	4.1 Dec	4.3
Euro-11	+ 3.9	+ 2.3 Q3	+ 2.1	+ 3.1	+ 4.1	+ 2.8 Nov	+ 3.4 Jun	9.6 Dec	10.5

*Not seasonally adjusted. †Average of latest 3 months compared with average of previous 3 months, at annual rate. ‡Sep-Nov; claimant count rate 4.0% in December. § Oct-Dec. **New series

PRICES AND WAGES Japanese consumer prices fell again in December, leaving them 1.1% lower than a year earlier. Wages fell by 2.4% over the same period, a 1.3% fall in real terms. Italian producer prices rose by 2.8% in the 12 months to December, the fastest since April 1996. Canada's were up by 3.9% and Spain's by 3.8%, the fastest for four years.

% change at annual rate	Consumer prices*		The Economist poll consumer prices forecast		Producer prices*		Wages/earnings	
	3 mths†	1 year	1999	2000	3 mths†	1 year	3 mths†	1 year
Australia	+ 2.3	+ 1.8 Q4	+ 1.4	+ 3.3	+ 5.5	+ 3.1 Q4	– 3.4	+ 0.4 Q3
Austria	+ 2.9	+ 1.4 Dec	+ 0.6	+ 1.2	+ 3.0	+ 1.8 Dec	+ 1.2	+ 2.3 Dec**
Belgium	+ 2.6	+ 1.8 Jan	+ 1.1	+ 1.4	+ 5.6	+ 3.8 Nov	+ 3.4	+ 2.9 Q3
Britain	+ 3.0	+ 1.8 Dec	+ 2.0	+ 2.2	+ 1.3	+ 2.3 Dec	+ 4.4	+ 5.0 Nov
Canada	+ 0.4	+ 2.6 Dec	+ 1.7	+ 2.3	+ 2.5	+ 3.9 Dec	– 4.7	+ 0.5 Nov
Denmark	+ 3.3	+ 3.2 Dec	+ 2.5	+ 2.5	+ 5.2	+ 4.7 Dec	+ 5.0	+ 4.1 Q3
France	+ 1.7	+ 1.3 Dec	+ 0.5	+ 1.0	+ 4.2	+ 1.1 Dec	+ 5.2	+ 2.7 Q3*
Germany	+ 1.6	+ 1.7 Jan	+ 0.6	+ 1.3	+ 4.1	+ 3.7 Dec	na	+ 2.8 Oct*
Italy	+ 2.4	+ 2.2 Jan	+ 1.7	+ 1.9	+ 6.5	+ 2.8 Dec	+ 1.2	+ 2.0 Dec*
Japan	nil	– 1.1 Dec	– 0.3	– 0.1	– 2.2	– 1.5 Dec**	na	– 2.4 Dec*
Netherlands	– 0.7	+ 2.2 Dec	+ 2.2	+ 2.4	+ 6.5	+ 5.1 Dec	+ 1.9	+ 3.3 Dec
Spain	+ 2.0	+ 2.9 Dec	+ 2.3	+ 2.4	+ 3.9	+ 3.8 Dec	+ 4.4	+ 2.2 Q3
Sweden	na	+ 1.2 Dec	+ 0.4	+ 1.4	+ 4.5	+ 2.2 Dec	+ 3.7	+ 1.7 Nov*
Switzerland	+ 1.0	+ 1.6 Jan	+ 0.8	+ 1.2	+ 1.8	+ 1.5 Dec	na	+ 0.7 1998
United States	+ 2.9	+ 2.7 Dec	+ 2.2	+ 2.7	+ 4.5	+ 3.0 Dec	+ 3.3	+ 3.7 Dec
Euro-11	+ 1.3	+ 1.7 Dec	+ 1.1	+ 1.5	+ 5.8	+ 3.0 Nov	+ 2.4	+ 2.4 Q3**

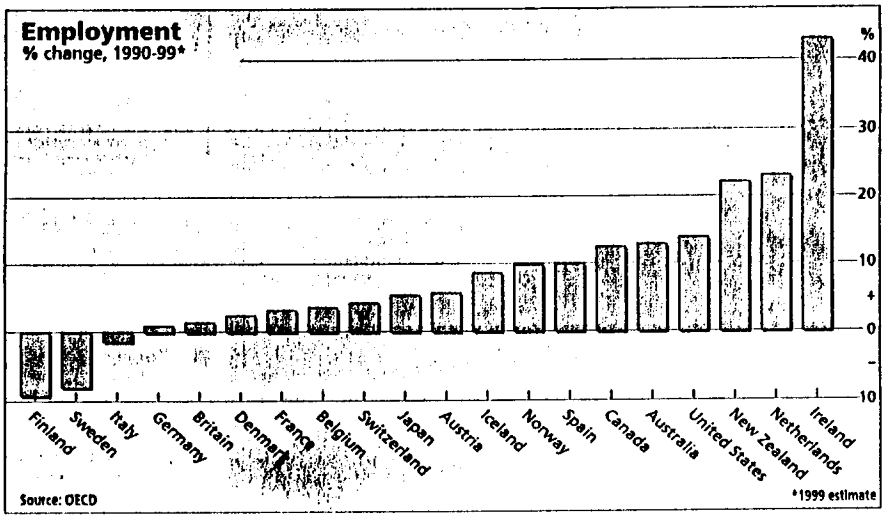
*Not seasonally adjusted. †Average of latest 3 months compared with average of previous 3 months, at annual rate. **New series.

The Economist COMMODITY PRICE INDEX Fund buying pushed the price of nickel on the London Metal Exchange (LME) to nearly $9,000 a tonne this week, its highest level since November 1995. LME stocks of the metal have fallen to a nine-year low of 42,300 tonnes. Stainless-steel production, which uses two-thirds of nickel output, is booming. But soaring demand has not been met by new supplies. Seasonally slow exports from Russia, plus production problems at Australia's new low-cost acid-leach plants, have caused a short-term squeeze on supplies. Australia's Anaconda plant was operating at 16% of capacity in December, its new Cawse project at half capacity. The nickel shortfall could reach 50,000 tonnes in the first half of this year before production catches up. Analysts predict that prices could reach $10,000 a tonne by the end of March.

1995=100	Jan 25th	Feb 1st*	% change on one month	one year
Dollar index				
All items	75.4	75.1	+ 2.2	+ 3.3
Food	72.0	71.2	+ 1.3	– 6.6
Industrials				
All	79.9	80.4	+ 3.2	+ 18.4
Nfa†	72.4	73.6	+ 2.6	– 1.3
Metals	86.2	86.2	+ 3.7	+ 38.4
Sterling index				
All items	72.1	73.4	+ 3.5	+ 5.3
Food	68.9	69.5	+ 2.6	– 4.8
Industrials	76.4	78.5	+ 4.6	+ 20.7
Euro index				
All items	98.5	101.5	+ 8.2	+ 20.6
Food	94.1	96.3	+ 7.7	+ 9.0
Industrials	104.4	108.7	+ 9.3	+ 38.2
Yen index				
All items	84.9	86.2	+ 7.0	– 0.6
Food	81.1	81.8	+ 6.1	– 10.1
Industrials	90.0	92.3	+ 8.2	+ 13.9
Gold				
$ per oz	288.00	282.95	+ 0.6	– 2.2
Crude oil North Sea Brent				
$ per barrel	26.48	26.51	+ 9.2	+ 145.6

* Provisional. † Non-food agriculturals.

■ **JOBS** It is no surprise that in the 1990s the fastest-growing OECD economy saw the biggest rise in employment. During the decade Irish GDP expanded by more than 90%, an average annual rate of 6.6%, and employment rose by more than 40%. Ireland no longer exports labour to other countries, but imports workers to fuel its economy. America's strong economy pushed up employment by about 14% in the 1990s; but the Netherlands and New Zealand, as well as Ireland, created proportionately more jobs. Finnish and Swedish employment in 1999 was still lower than in 1990, thanks to deep recessions early in the decade. Britain's rank, below most other European countries, seems surprisingly low. Employment peaked in 1990, was hit by recession and reached its former level only in 1998.



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